No. 98-377-CFX Title: Q. Todd Dickinson, Acting Commissioner of Patents and Trademarks, Petitioner
v.
Mary E. Zurko, et al.

Docketed:
September 1, 1998 Court: United States Court of Appeals for the Federal Circuit

Entry	Date	Proceedings and Orders
	Jul 23 1998	Application (A98-81) to extend the time to file a petition for a writ of certiorari from August 2, 1998 to September 1, 1998, submitted to The Chief Justice.
	Jul 24 1998	Application (A98-81) granted by the Chief Justice extending the time to file until September 1, 1998.
	Aug 31 1998	Petition for writ of certiorari filed. (Response due October 1, 1998)
	Sep 28 1998	Brief of respondents Mary Zurko, et al. in opposition filed.
	Oct 1 1998	Brief amicus curiae of Theis Research, Inc. filed.
	Oct 14 1998	DISTRIBUTED. October 30, 1998
	Oct 14 1998	Reply brief of petitioner filed.
	Nov 2 1998	Petition GRANTED. SET FOR ARGUMENT March 24, 1999. **********
	Dec 15 1998	Brief amicus curiae of Intellectual Property Creators filed.
	Dec 17 1998	Joint appendix filed.
	Dec 17 1998	Brief of petitioners Bruce A. Lehman, Commissioner filed.
	Dec 17 1998	Brief amicus curiae of Theis Research, Inc. filed.
	Dec 17 1998	Brief amici curiae of Intellectual Property Creators, et al. filed.
	Jan 5 1999	Letter from the Solicitor General substituting Q. Todd Dickinson, Acting Commissioner of Patents and Trademarks for Bruce Lehman, petitioner, according to rule 35.2 received.
	Jan 14 1999	Brief amicus curiae of Pharmaceutical Research and Manufacturers of America filed.
	Jan 15 1999	Brief amicus curiae of Patent, Trademark & Copyright Section of DC Bar Association filed.
	Jan 15 1999	Brief amicus curiae of New York Intellectual Property Law Association filed.
	Jan 15 1999	Brief amicus curiae of Biotechnology Industry Organization filed.
	Jan 18 1999	Brief amicus curiae of John P. Sutton filed.
	Jan 19 1999	Brief of respondents Mary Zurko, et al. filed.
	Jan 19 1999	Brief amicus curiae of International Trademark Association filed.
	Jan 19 1999	Brief amicus curiae of Dallas-Fort Worth Intellectual Property Law Association filed.
	Jan 19 1999	Brief amicus curiae of Houston Intellectual Property Law Association filed.
	Jan 19 1999	Request for an extension of time to file brief of respondents' filed. Request DENIED.
	Feb 9 1999	Record filed.
	Feb 11 1999	CIRCULATED.
	Feb 12 1999	Reply brief of petitioner Q. Todd Dickinson, Acting

2 pp

No. 98-377-CFX

Entry	Date	Proceedings and Orders
		Commissioner filed.
	Feb 12 1999	Record filed.
	Mar 24 1999	ARGUED.

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No.

In the Supreme Court of the United States

OCTOBER TERM, 1997

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS
AND TRADEMARKS, PETITIONER

v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREW H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, AND STEVEN P. LIPNER

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Section 12 of the Administrative Procedure Act (APA), now revised and reenacted as 5 U.S.C. 559, provided that the Act did not "limit or repeal additional requirements imposed by statute or otherwise recognized by law." The question presented in this case is:

Whether a standard of judicial review more stringent than that specified by the APA, purportedly used by courts before the adoption of the Act in reviewing factual findings made by a particular agency, is an "additional requirement * * * otherwise recognized by law" within the meaning of Section 559.

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ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

The Solicitor General, on behalf of the Commissioner of Patents and Trademarks, respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals sitting en banc (App., *infra*, 1a-27a) is reported at 142 F.3d 1447. The earlier opinion of a panel of that court (App., *infra*, 28a-34a) is reported at 111 F.3d 887. The opinions of the Board of Patent Appeals and Interferences (App., *infra*, 35a-47a) are unreported.

JURISDICTION

The judgment of the court of appeals was entered on May 4, 1998. On July 24, 1998, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including September 1, 1998. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

1. Section 559 of Title 5 of the United States Code (drawn from Section 12 of the Administrative Procedure Act, Pub. L. No. 404, ch. 324, 60 Stat. 244) provides in pertinent part as follows:

§ 559. Effect on other laws; effect of subsequent statute

This subchapter, [and] chapter 7 * * * of this title, * * * do not limit or repeal additional requirements imposed by statute or otherwise recognized by law. Except as otherwise required by law, requirements or privileges relating to evidence or procedure apply equally to agencies and persons. Each agency is granted the authority necessary to comply with the requirements of this subchapter through the issuance of rules or otherwise. Subsequent statute may not be held to supersede or modify this subchapter, [or] chapter 7 * * * of this title, * * * except to the extent that it does so expressly.

2. Section 701 of Title 5 of the United States Code (drawn from Sections 2 and 10 of the Administrative Procedure Act, Pub. L. No. 404, ch. 324, 60 Stat. 237) provides in pertinent part as follows:

§ 701. Application; definitions

(a) This chapter applies, according to the provisions thereof, except to the extent that—

(1) statutes preclude judicial review; or

(2) agency action is committed to agency discretion by law.

(b) For the purpose of this chapter—

(1) "agency" means each authority of the Government of the United States, whether or not it is within or subject to review by another agency, but does not include—

(A) the Congress;

(B) the courts of the United States;

(C) the governments of the territories or possessions of the United States;

(D) the government of the District of Columbia;

(E) agencies composed of representatives of the parties or of representatives of organizations of the parties to the disputes determined by them;

(F) courts martial and military commissions;

(G) military authority exercised in the field in time of war or in occupied territory; or

(H) functions conferred by sections 1738, 1739, 1743, and 1744 of title 12; chapter 2 of title 41; subchapter II of chapter 471 of title 49; or sections 1884, 1891-1902, and former section 1641(b)(2), of title 50, appendix[.]

3. Section 706 of Title 5 of the United States Code (drawn from Section 10(e) of the Administrative Procedure Act, Pub. L. No. 404, ch. 324, 60 Stat. 243) provides as follows:

§ 706. Scope of review

To the extent necessary for decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be—

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

STATEMENT

1. Respondents applied for a patent, claiming that they had invented a method of improving security in computer systems that include both "trusted" and "untrusted" computing environments. See App., *infra*, 28a-29a & n.1. The application acknowledged that the UNIX operating system had previously taught the feasibility of having an "untrusted" program "pars[e] a command [such as a user keyboard entry] and then execut[e] the command by calling a trusted service that executes in a trusted computing environment." *Id.* at 30a. It also acknowledged that another existing program, FILER2, had taught the mechanism of "repeat[ing] back potentially dangerous user commands and request[ing] confirmation from the user prior to execution." *Ibid.* Respondents claimed a patentable invention in the idea of processing a "trusted" command

in an "untrusted" environment, relaying the parsed command to a trusted environment, and then having the trusted portion of the system seek user verification, over a trusted pathway, before executing the command. See *id.* at 29a.

After a preliminary narrowing of the claims at issue (see App., *infra*, 40a & n.2), an examiner employed by petitioner, the Commissioner of Patents and Trademarks (Commissioner), rejected respondents' patent application. See 35 U.S.C. 131-132. The examiner first determined that respondents' remaining claims were not stated with the specificity necessary to satisfy 35 U.S.C. 112. See App., *infra*, 41a. In any event, the examiner concluded (*ibid.*) that respondents were not entitled to a patent because, in the language of 35 U.S.C. 103, "the differences between the subject matter sought to be patented and the prior art [were] such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art."

Respondents appealed the examiner's decision to the Board of Patent Appeals and Interferences (the Board). See 35 U.S.C. 134.[1] The Board rejected the examiner's conclusion that respondents' claims were not properly specified (App., *infra*, 42a-43a), but it sustained the examiner's refusal to issue a patent on the ground that the claimed invention was "obvious" within the meaning of 35 U.S.C. 103. The Board agreed with the examiner that it was proper to read the two cited instances of prior art in conjunction, and that one ordinarily skilled in the relevant art "would have been led from these teachings to take the trusted command parsed in the untrusted environment and submitted to the trusted computing environment, as taught by UNIX, and to display the parsed command to the user for confirmation prior to execution, as suggested by [FILER2]." App., *infra*, 44a.

[1] The Board consists of petitioner, the Deputy Commissioner and Assistant Commissioners of Patents and Trademarks, and a number of patent "examiners-in-chief," who are "persons of competent legal knowledge and scientific ability * * * appointed to the competitive service." 35 U.S.C. 7(a). The Board ordinarily acts through panels of three members, as it did in this case. See 35 U.S.C. 7(b); App., *infra*, 35a. When deciding cases, the members of the Board are generally known as "Administrative Patent Judges." See 1156 Off. Gaz. Pat. Office 32 (1993); App., *infra*, 35a.

The Board rejected respondents' argument that the use of a trusted (rather than untrusted) path to seek and receive verification from the user before executing the command involved a non-obvious advance over the prior art. App., *infra*, 45a. Rather, the Board concluded, "[c]ommunication in a trusted environment would normally be assumed, by artisans, to be over trusted paths," so that the use of such a path for verification, in a system designed to ensure security, was, "if not explicit," then "either inherent or implicit" in the prior art. *Ibid.*[2]

2. Respondents sought review of the Board's decision in the United States Court of Appeals for the Federal Circuit, as permitted by 35 U.S.C. 141. A panel of that court concluded that the Board's decision should be reversed. App., *infra*, 28a-34a. The court noted that "[o]bviousness is a legal question based on underlying factual determinations" (*id.* at 31a), and that "[w]hat a [prior-art] reference teaches and whether it teaches toward or away from the claimed invention are questions of fact" (*id.* at 32a). Reviewing the references

[2] At respondents' request, the Board reconsidered this portion of its decision. After doing so, however, it adhered to its original reasoning and conclusions. App., *infra*, 35a-38a.

cited by the Board, the court determined that "neither UNIX nor FILER2 teaches communicating with the user over a trusted pathway." *Id.* at 33a. Concluding that the Board had "impermissibly used hindsight" in evaluating respondents' claimed invention, the court held that "the Board's finding that the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway" was "clearly erroneous." *Id.* at 32a; see also *id.* at 33a.

The court noted petitioner's argument that it "should review findings by the Board using a more deferential standard as required by the Administrative Procedure Act [(APA)], 5 U.S.C. § 706(2) (1994)." App., *infra*, 32a n.7. Although the panel opinion indicated that, in light of Federal Circuit precedent, "[o]nly the court sitting in banc [could] answer the question of whether a different standard of review of the Board's findings should apply," it observed that a suggestion of en-banc rehearing could "appropriately" be made where, as in this case, the court had already determined that the Board's decision would be reversed under a non-APA standard of review. *Ibid.*

3. The full court of appeals, "[c]oncluding that the outcome of this appeal turns on the standard of review used by th[e] court to review board fact finding," accepted petitioner's suggestion that it rehear this case en banc to consider whether the Board's factual findings should be reviewed "under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous' standard." App., *infra*, 2a. After considering the matter, the court determined that it would adhere to what it viewed as traditional practice, rather than apply the standards prescribed by the APA. *Id.* at 1a-27a.

The court first noted that the APA's "substantial evidence" standard for reviewing agency factual findings, 5 U.S.C. 706(2)(E), would "require that we review board decisions on their own reasoning." App., *infra*, 3a. The court's "clear error" standard, by contrast, dictates affirmance "as long as we lack a definite and firm conviction that a mistake has been made"—a determination that "requires us to review board decisions on our reasoning." *Ibid.* Thus, in the court of appeals' view, its standard of review differed from those prescribed by the APA "both in character and [in] the amount of deference they contemplate." *Ibid.*

After discussing the history and general purposes of the APA (App., *infra*, 4a-7a), the court noted that the Patent and Trademark Office (PTO) had been the subject of specific attention during the APA's drafting and enactment (*id.* at 7a-8a). Although it acknowledged that Congress had specifically contemplated exempting the work of the Patent Office from the purview of the Act, but ultimately did not do so, the court interpreted the history of the Act as "suggest[ing] that Congress drafted the APA to apply to agencies generally, but that * * * [it] did not intend the APA to alter the review of substantive Patent Office decisions" by the courts. *Id.* at 8a-9a. The court construed 5 U.S.C. 559, which was drawn from the final Section of the APA as originally enacted and provides that the Act "do[es] not limit or repeal additional requirements imposed by statute or otherwise recognized by law," as "preserving those standards of judicial review that had evolved as a matter of common law [before the APA's enactment], rather than compelling that all such standards of review be displaced by the [APA]." *Id.* at 9a-10a.

The court then reviewed at some length the history of the patent laws, including the various mechanisms historically provided for administrative and judicial review of decisions to grant or deny patents. App., *infra*, 9a-22a. On the basis of its review, the court observed that no patent statute has ever spoken explicitly to the standard of review to be used by courts in reviewing administrative decisions in patent cases, but that "the common law recognized several standards prior to 1947, including clear error and its close cousins." *Id.* at 22a. On that basis, the court held that the "more searching clear error standard of review" that it has applied in lieu of the APA's "substantial evidence" standard "is an 'additional requirement' that was 'recognized' in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559." *Id.* at 22a-23a.

The court found additional support for its holding in the principle of stare decisis. App., *infra*, 23a-26a. Having concluded that there had been a "settled practice of reviewing factual findings of the board's patentability determinations for clear error," the court held that its "interpretation of section 559 * * * permit[ted]" it to continue that practice, "because no statute speaks directly to a required standard, and review for clear error was certainly recognized in the cases — though perhaps not exclusively or intentionally — before 1947." *Id.* at 25a.

The court added that use of a non-APA standard is "justif[ied]" by "the premises underlying review for clear error": "By making it clear that we review factual findings for clear error, and thereby review board decisions on our own reasoning, we hope the board understands that we are more likely to appreciate and adopt reasoning similar to its reasoning when it is both

well articulated and sufficiently founded on findings of fact." *Id.* at 25a. The court thus hoped, through its choice of standard, to "encourage administrative records that more fully describe the metes and bounds of the patent grant than would a more deferential standard of review." *Ibid.* Finally, the court noted its belief that use of the "clearly erroneous" standard would "preserve the confidence of inventors who have relied on this standard in prosecuting their patents," "promote consistency between [the court's] review of the patentability decisions of the board and the district courts in infringement litigation," and "help avoid situations where board fact finding on matters such as anticipation or the factual inquiries underlying obviousness become virtually unreviewable." *Id.* at 26a.

Having concluded that "section 559 and *stare decisis* together justify our continued application of [a] heightened level of scrutiny to decisions by the board," the full court ratified the holding of the original panel that had applied such a standard and had reversed the Board's decision in this case. App., *infra*, 26a-27a.

REASONS FOR GRANTING THE PETITION

1. The provisions of the Administrative Procedure Act now embodied in Title 5 of the United States Code provide a generally applicable framework for proceedings seeking judicial review of "agency action." See 5 U.S.C. 702. The term "'agency action' includes the whole or a part of an agency * * * order, * * * relief, or the equivalent or denial thereof," and "relief" includes any agency "recognition of a claim, right, * * * [or] privilege * * * [or the] taking of other action on the application or petition of, and beneficial to, a person." 5 U.S.C. 551(11)(B), (11)(C), and (13),

701(b)(2). With exceptions not relevant here, the term "agency" includes "each authority of the Government of the United States, whether or not it is within or subject to review by another agency." 5 U.S.C. 701(b)(1). By their terms, these provisions apply to the Federal Circuit's review of a decision by the Board of Patent Appeals and Interferences to reject a patent application. See 35 U.S.C. 1 (establishing PTO within the Department of Commerce); 35 U.S.C. 7 (constituting Board); 35 U.S.C. 131-134 (administrative examination of applications and issuance or denial of patents); 35 U.S.C. 141-144 (review of Board decisions in the Federal Circuit); see also *Singer Co.* v. *P.R. Mallory & Co.*, 671 F.2d 232, 236 n.7 (7th Cir. 1982) (PTO falls within APA definition of "agency"); 5 U.S.C. 704 ("[a]gency action made reviewable by statute" is subject to judicial review); App., *infra*, 2a, 8a-9a, 21a-22a, 26a (acknowledging in en banc opinion that APA generally applies to the PTO).

The APA provides that "[t]he form of proceeding for judicial review is the special statutory review proceeding relevant to the subject matter in a court specified by statute." 5 U.S.C. 703. Under the patent laws, if a "dissatisfied" patent applicant seeks review of a Board decision in the Federal Circuit, the Commissioner must certify the administrative record to that court. 35 U.S.C. 141, 143. If, as is usually the case, there is no adverse private party, the Commissioner must also "submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal." 35 U.S.C. 143. The court then "review[s] the decision from which an appeal is taken on the record before the Patent and Trademark Office." 35 U.S.C. 144. Review concludes when the court "issue[s] to [petitioner] its mandate and

opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case." *Ibid.*[3]

As the court of appeals noted in this case (App., *infra*, 22a), "no patent statute speaks explicitly to the standard to be used when reviewing decisions of the board." The absence of such a specific standard does not, however, authorize a reviewing court to adopt whatever standard it deems appropriate under the circumstances. This Court has made clear that, "[i]n the absence of a specific command in [a relevant statute] to employ a particular standard of review" of administrative action, that action "must be reviewed solely under the * * * standard prescribed by the Administrative Procedure Act." *American Paper Inst.* v. *American Elec. Power Serv. Corp.*, 461 U.S. 402, 412-413 n.7 (1983); see also *Steadman* v. *SEC*, 450 U.S. 91, 95-97 & n.9 (1981); *Citizens to Preserve Overton Park, Inc.* v. *Volpe*, 401 U.S. 402, 413-414 (1971); cf. *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-549 (1978) (court may not impose, on policy grounds, rulemaking procedures beyond those required by the APA or another applicable statute); compare App., *infra*, 25a-26a.

Under the APA, the Federal Circuit may "set aside" the Board's "action, findings, and conclusions" if they

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[3] An applicant who is "dissatisfied" with the Board's decision but does not wish to seek review in the court of appeals on the basis of the administrative record may instead file suit against the Commissioner in the United States District Court for the District of Columbia. 35 U.S.C. 145. By seeking review in the court of appeals, respondents "waive[d] [their] right to proceed under section 145" (35 U.S.C. 141), which is therefore not directly at issue in this case.

were "'arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law' or if [they] failed to meet statutory, procedural, or constitutional requirements." *Citizens to Preserve Overton Park*, 401 U.S. at 414 (quoting 5 U.S.C. 706(2)(A)-(D)). Because the Board's decisions are "reviewed on the record of an agency hearing provided by statute," they are also subject to the somewhat more searching "substantial evidence" standard of 5 U.S.C. 706(2)(E). See 35 U.S.C. 7(b), 134, 144; see also *American Paper Inst.*, 461 U.S. at 412 n.7 (distinguishing substantial-evidence review from "the more lenient arbitrary-and-capricious standard"). Nothing in the APA, however, authorizes the Federal Circuit to subject the Board's decisions to the "heightened level of scrutiny" (App., *infra*, 27a) that the court elected to apply in this case.

2. The court of appeals sought to justify its frank adoption of a "more searching" standard of review in patent cases, "free[d]" from the otherwise applicable limits of the APA, on the ground that such a "heightened" standard is an "additional requirement[] * * * otherwise recognized by law" within the meaning of 5 U.S.C. 559. See App., *infra*, 5a, 9a-10a, 22a-23a, 26a-27a. The court reasoned that, by providing that the APA would not "limit or repeal" such "additional requirements," Congress intended to "preserv[e] those standards of judicial review that had evolved as a matter of common law," to the extent they were more stringent than those provided in the new Act. App., *infra*, 9a-10a. Because "the common law recognized several standards [of review in patent cases] prior to 1947, including clear error and its close cousins," the court concluded that what is now Section 559 authorized it to continue to apply some such standard if it chose to do so. *Id.* at 22a, 26a.

Section 559 cannot bear the weight that the court of appeals would place upon it. It is based on Section 12—the final section—of the original Act, then entitled "Construction and Effect." Administrative Procedure Act, Pub. L. No. 404, ch. 324, § 12, 60 Stat. 244. The language of that concluding provision[4] is perhaps most naturally read to refer only to matters not addressed by the APA itself ("*additional* requirements"). See H.R. Rep. No. 1980, 79th Cong., 2d Sess. 47 (1946) (Section 12 "merely provides formal matters of construction and effect. * * * Any *inconsistent* agency action or statute is in effect repealed." (emphasis added)). Alternatively, it might refer to "requirements"—such as pre-existing informational, rule-making, or hearing requirements—greater than those specified in the APA's own core provisions, which were intended to specify a new "outline of minimum essential rights and procedures" governing agencies' own administrative operations. H.R. Rep. No. 1980, *supra*, at 16; see also *ibid.* ("Agencies may fill in details [of the 'outline'], so long as they publish them."); APA §§ 3-9, 60 Stat. 238-243; 5 U.S.C. 552-558 (current embodiment of same APA provisions). In either case, a standard of judicial review *different* from that specified in the APA itself is not an "additional requirement[]" within the meaning of what is now Section 559.[5]

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[4] The first sentence of Section 12 provided: "Nothing in this Act shall be held to diminish the constitutional rights of any person or to limit or repeal additional requirements imposed by statute or otherwise recognized by law." 60 Stat. 244.

[5] A non-APA standard of review specified by a particular statute would presumably govern in proceedings under that statute, whether it was more stringent or more lax than those set out in 5 U.S.C. 706. See, *e.g.*, *American Paper Inst.*, 461 U.S. at 412 n.7 (APA standard to be applied "[i]n the absence of a specific command in [the relevant statute] to employ a particular standard

Nor, despite the court of appeals' novel analysis (see App., *infra*, 6a-9a), is there anything in the history or general purposes of the APA to suggest that what is now Section 559 was intended to preserve whatever standards of review courts, including the Federal Circuit's predecessors, were applying in reviewing administrative decisions before the adoption of the Act. To the contrary, an important general purpose of the APA was to "supplant a variety of pre-existing methods for obtaining [judicial] review that differed from one agency to another." *Cousins* v. *Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (en banc) (Breyer, J.).[6] Thus, although Congress certainly looked to existing law when it framed the new,

of review"). That result does not depend, however, on Section 559's "additional requirements" language. Such a provision would embody, not an "additional requirement[]" of review, but an inconsistent direction concerning the manner in which review should be conducted. The inconsistency would be resolved in accordance with ordinary principles of statutory construction, including the principle that a more specific enactment normally controls rather than a more general one—according due weight to Section 559's separate instruction that a later enactment should not be held to "supersede or modify" the APA "except to the extent that it does so expressly." 5 U.S.C. 559.

[6] See also *Cousins*, 880 F.2d at 606, quoting S. Rep. No. 442, 76th Cong., 1st. Sess. 9-10 (1939) (relating to an earlier version of the legislation that became the APA) ("'unfortunately,' existing statutes d[id] not provide for 'a uniform method and scope of judicial review'"); cf. H.R. Rep. No. 1980, 79th Cong., 2d Sess. 16 (1946) ("The bill is meant to be operative 'across the board' in accordance with its terms, or not at all. Where one agency has been able to demonstrate that it should be exempted, all like agencies have been exempted in general terms. (See [the definitional provision now at 5 U.S.C. 551(1)]). Where one agency has shown that some particular operation should be exempted from any particular requirement, the same function in all agencies has been exempted. No agency has been favored by special treatment.").

generally applicable review provisions of the APA (see, *e.g.*, App., *infra*, 6a-7a, 10a), there is no reason to think that it intended to preserve, rather than to eliminate, deviations from the norm it was prescribing. Moreover, so far as the PTO is concerned, what the legislative history demonstrates is that Congress specifically considered the nature of patent proceedings and the role of the PTO, but enacted the APA without excepting the PTO from the judicial review provisions of Section 10 of the Act (now 5 U.S.C. 701-706). See App., *infra*, 7a-8a. The court of appeals erred in interpreting Section 559 to create an exception that Congress itself did not see fit to make.[7]

Finally, the Federal Circuit's strained interpretation of Section 559 contravenes the principle that a court exceeds the proper bounds of statutory review when it interferes, to any greater extent than specifically authorized by the APA (or by some other applicable statute), with an administrative agency's discharge of the responsibilities that have been delegated to it by Congress. As noted above, this Court has made clear that a reviewing court is not authorized to direct an agency to adopt supplemental procedures beyond those required by the APA. *Vermont Yankee*, 435 U.S. at

[7] In addition, as the court of appeals itself recognized, "[i]t would be disingenuous to suggest that the courts employed a uniform standard of review [of Patent Office factual determinations] prior to 1947." App., *infra*, 11a; see also Dunner *et al.*, *Court of Appeals for the Federal Circuit: Practice & Procedure* § 6.04, at 6-49 to 6-52 (1995) (discussing various standards employed by the former Court of Customs and Patent Appeals). Thus, even if Section 559 could properly be construed to preserve different and more stringent standards of judicial review that were clearly established at the time the APA was passed, such an exception would not apply to the Federal Circuit's review of decisions by the PTO.

543-549; see *id.* at 544 (citing *FCC* v. *Schreiber*, 381 U.S. 279 (1965), "where the District Court * * * devised procedures to be followed by the agency on the basis of its conception of how the public and private interest involved could best be served"). Nor, where the APA prescribes the applicable standard, is a court free to decide that some other standard of proof should apply in an administrative proceeding, despite the traditional judicial role in resolving such questions in the absence of a statutory directive. *Steadman*, 450 U.S. at 95-97 & n.9. Similarly, it is "a simple but fundamental rule of administrative law" that, although a reviewing court may police the statutory boundaries within which Congress has authorized an agency to act, it may not substitute its discretion for that of the agency with respect to matters that fall within the legislative delegation. *SEC* v. *Chenery Corp.*, 332 U.S. 194, 196 (1947).

In the case of the PTO, Congress has created a comprehensive statutory scheme for the submission of patent applications to a specialized agency, the examination of those applications by qualified personnel, and the administrative grant or denial of patents. See 35 U.S.C. 111-122 (applications), 131-135 (examination). The statute itself makes clear that Congress intended to place the administration of the patent system, which by definition involves the evaluation of claimed advances at the border of scientific and technical knowledge, largely in the hands of persons who possess both "competent legal knowledge and scientific ability." 35 U.S.C. 7 (prescribing requirements for the appointment of examiners-in-chief), 282 (presumption of validity attaches to patent once it has been issued). It is, moreover, difficult to imagine any area in which the exercise of such administrative

expertise would be more critical than the determination of close factual questions relating directly to patentability, such as what the "prior art" relating to a particular claimed subject matter would have revealed or suggested to "a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. 103.[8]

The resolution of this case turns on just such a question. See App., *infra*, 1a-2a. Yet it is in this case, with respect to that question, that the Federal Circuit has reaffirmed its determination to subject the PTO's highly informed fact-finding to "heightened * * * scrutiny," beyond that authorized by the APA, for the stated purpose of preserving the court's ability "to review board [patenting] decisions on [the court's] own reasoning," rather than the Board's. *Id.* at 3a, 25a-27a. By thus aggrandizing the court of appeals' own role, the decision exceeds the proper bounds of judicial review. The decision's definitive adoption of an extra-statutory standard of review warrants review by this Court, which necessarily has greater detachment from the particular controversy about the respective roles of the agency and its reviewing court, as well as less reason for inhibition to depart from Federal Circuit precedent.

3. Proper administration of the patent system plays an important role in the continuing technological, and hence economic, development of the Nation. When properly issued in accordance with the stringent statutory requirements established by Congress, see 35

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[8] The PTO informs us that, of the three members of the Board who rendered the administrative decisions in this case, one holds a degree in electrical engineering, one holds a degree in electronics and has had extensive career experience in computer technology, and one holds an advanced degree in computer science and two in electrical engineering.

U.S.C. 100 *et seq.*, including the requirement of non-obviousness at issue in this case (*id.* § 103), patents "promote the Progress of Science and useful Arts" (U.S. Const., Art. I, § 8, Cl. 8). Just as surely, however, when improperly issued they retard that progress, stifle technological and economic competition, and may be invalidated, if at all, only through protracted and expensive litigation. See generally 35 U.S.C. 271 *et seq.* (infringement and remedies). The decision *not* to issue a patent—the only sort that will ordinarily be reviewable at the instance of a "dissatisfied" applicant, see 35 U.S.C. 141, 145—will frequently depend, as it did in this case, on the determination of close and highly technical factual questions. It is therefore critical that the expert judgment of the PTO's Board of Patent Appeals and Interferences, charged by Congress with the final administrative responsibility for determining whether a patent should issue (see 35 U.S.C. 7(b), 134), should be subject to judicial review and "correction" only within the limited bounds prescribed by Congress for the review of any administrative action.

There should be no doubt about the importance of the Federal Circuit's decision in this case. As the court of appeals acknowledged, the outcome of the case before that court—which has exclusive jurisdiction in cases of this type, see 28 U.S.C. 1295(a)(4)—"turn[ed] on" the court's selection of a standard of review. App., *infra*, 2a. The types of factual and legal questions involved in this case are not unusual, and one may expect that the standard of review will likewise be important or determinative in many other cases in which the Board has resolved close factual questions against the applicant. (Where the Board resolves a close case in favor of issuing the patent, there is no appellate review.) Indeed, as Judge Michel of the Federal Circuit

has stated in a speech to members of the bar, "standards of review influence dispositions in the Federal Circuit far more than many advocates realize." See Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1415 & n.3 (1995). Thus, like the burden of proof, which is similarly determinative at, but only at, the margin of close cases, the standard of judicial review will "rarely [be] without consequence and frequently may be dispositive." *Lavine* v. *Milne*, 424 U.S. 577, 585 (1976). And, like the burden of proof, the standard of review is an inherent aspect of *every* litigated case.

Moreover, the court's decision ultimately rested, not simply on its choice of standards, but on an interpretation of 5 U.S.C. 559 that, in the court's view, made that choice permissible. See App., *infra*, 9a-10a, 26a. That flawed construction of a widely applicable statute has the potential to unsettle the law with respect to judicial review of additional federal agencies subject to the APA, inviting other courts to inquire whether before 1947 they, too, may have used, albeit "perhaps not exclusively or intentionally" (*id.* at 25a), "heightened" standards of review that could now be revived should a court deem it desirable to do so.

Finally, it is significant that, in rendering its decision in this case, the court of appeals candidly acknowleged that it prefers to review the Board's decisions under a standard that allows it "to review board decisions on [the court's] own reasoning," rather than on the Board's. App., *infra*, 3a, 25a. The court recognizes that under the APA's normal standards of review it would, to the contrary, be required to "review board decisions on their own reasoning," an approach that "differ[s] both in character and [in] the amount of deference [it] contemplate[s]." *Id.* at 3a. The court's refusal to

countenance that result reveals the most fundamental error in this case.

Indeed, it is the broad choice between essentially deferential and essentially non-deferential review that the court of appeals faced, and made, in this case that most likely accounts for the extraordinary degree of interest that the court's choice of a standard of review has generated from the bench and bar. See 142 F.3d at 1448-1449 (listing amici before the en banc court).[9] In avowing its reasoning, the court of appeals has demonstrated an underlying approach to, and philosophy of, judicial review that is inconsistent with the letter and spirit of the APA. The court's en banc decision in this case accordingly warrants review by this Court.

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[9] See also, *e.g.*, Hon. Alan D. Lourie, *Speech to [American Intellectual Property Law Association], Jan. 22, 1998*, 55 Pat., Trademark & Copyright 243, 243 (BNA 1998) (discussing issue of judicial deference to the PTO, and noting that the court "had a standing room only courtroom" for the en banc argument in this case); Stoll, *A Clearly Erroneous Standard of Review*, 79 J. Pat. & Trademark Off. Soc'y 100 (Feb. 1997); Rennecker, *Ex parte Appellate Procedure in the Patent Office and the Federal Circuit's Respective Standards of Review*, 4 Tex. Intell. Prop. L.J. 335 (Spring 1996); Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. at 1467-1472.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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AUGUST 1998

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 96-1258

IN RE MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL, AND STEVEN B. LIPNER,

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[Filed: May 4, 1998]

Before: MAYER, Chief Judge,* RICH and NEWMAN, Circuit Judges, ARCHER, Senior Circuit Judge,** MICHEL, PLAGER, LOURIE, CLEVENGER, RADER, SCHALL, BRYSON and GAJARSA, Circuit Judges.

MAYER, Chief Judge.

Mary E. Zurko *et al.* appealed from a decision of the Board of Patent Appeals and Interferences sustaining the rejection of United States Patent Application No. 07/479,666 under 35 U.S.C. § 103 (1994). *Ex parte Zurko*, No. 94-3967 (Bd. Pat. Apps. & Int. Aug. 4, 1995). On appeal, this court reversed, holding that the board's decision—that the method claimed for improv-

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* Chief Judge Haldane Robert Mayer assumed the position of Chief Judge on December 25, 1997.

** Senior Circuit Judge Glenn L. Archer, Jr. vacated the position of Chief Judge on December 24, 1997.

ing security in computer systems was obvious—was based on clearly erroneous findings of fact. *In re Zurko*, 111 F.3d 887, 42 USPQ2d 1476 (Fed. Cir. 1997). Concluding that the outcome of this appeal turns on the standard of review used by this court to review board fact finding, we accepted the Commissioner's suggestion that we rehear the appeal in banc so that we could consider the following question: "Should this court review Patent and Trademark Office fact-findings under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous' standard?" 116 F.3d 874, 874 (Fed. Cir. 1997). We believe section 559 of the Administrative Procedure Act permits, and *stare decisis* warrants, our continued application of the clearly erroneous standard in our review of these fact- findings.

I.

The Commissioner has campaigned aggressively for this court to review factual findings underlying the board's patentability determinations using the more deferential substantial evidence standard found in section 10(e) of the Administrative Procedure Act (APA) and codified in relevant part at 5 U.S.C. § 706 (1994), but we have not done so. *See, e.g., In re Lueders*, 111 F.3d 1569, 1574-78, 42 USPQ2d 1481, 1484-87 (Fed. Cir. 1997); *In re Mac Dermid, Inc.*, 111 F.3d 890, 890-91, 42 USPQ2d 1479, 1480 (Fed. Cir. 1997); *In re Kemps*, 97 F.3d 1427, 1430-31 & nn. 5-6, 40 USPQ2d 1309, 1312-13 & nn. 5-6 (Fed. Cir. 1996) (a precondition to addressing the standard of review issue is that its resolution be relevant to the determination of the case); *In re Napier*, 55 F.3d 610, 614, 34 USPQ2d 1782, 1785 (Fed. Cir. 1995) (determining proper standard of review is unnecessary because board's fact finding could be

affirmed under more stringent standard); *In re Brana*, 51 F.3d 1560, 1568-69, 34 USPQ2d 1436, 1443-44 (Fed. Cir. 1995) (declining invitation to reconsider the standard of review because the decision does not turn on it). Specifically, the Commissioner argues that in appeals under 35 U.S.C. § 141, we should accept the factual findings underlying the board's patentability determinations as long as they are supported by probative evidence of a substantial nature (the substantial evidence standard found at 5 U.S.C. § 706(2)(E)),[1] or in the alternative[2] as long as they were made upon consideration of the proper factors (the arbitrary and capricious standard found at 5 U.S.C. § 706(2)(A)). Both standards require that we review board decisions on their own reasoning. Currently, we affirm decisions as long as we lack a definite and firm conviction that a mistake has been made. *See, e.g., Kemps*, 97 F.3d at 1430, 40 USPQ2d at 1312. This standard defines review for clear error and requires us to review board decisions on our reasoning. The substantial evidence, arbitrary and capricious, and clear error standards differ both in character and the amount of deference they contemplate. Thus, to choose among them, we must not only construe relevant sections of the APA and patent statutes, we must understand the historical context in

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[1] This standard is often quantified as: "more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229, 59 S. Ct. 206, 217, 83 L.Ed. 126 (1938).

[2] Previously, the Commissioner has argued that the arbitrary and capricious standard found in section 706(2)(A) should be applied, *see In re Kemps*, 97 F.3d at 1430, 40 USPQ2d at 1312, or that alternatively either standard can be applied, *see In re Lueders*, 111 F.3d at 1575, 42 USPQ2d at 1485.

which the standards developed and the current context in which they operate.

II.

Congress enacted the APA in part to stem the abuses of power by agencies seemingly unchecked by requirements for procedural rigor. For example, the original presidential committee investigating the need for congressional control over these agencies reported: "[Agencies] are in reality miniature independent governments. . . . They constitute a headless 'fourth branch' of the Government, a haphazard deposit of irresponsible agencies and uncoordinated powers. . . . Furthermore, the same men are obliged to serve both as prosecutors and as judges. This not only undermines judicial fairness; it weakens public confidence in that fairness." *The Report of the President's Committee on Administrative Management* 39-40 (1937). This same language was quoted by Senator McCarran, and by Representative Walters, during consideration of the final bills. *See* 92 Cong. Rec. 2149-50 & 2163-64 (1946), *reprinted in Staff of Sen. Comm. on the Judiciary, 79th Congress, Administrative Procedure Act, Legislative History 1944-46* (1946) (*APA Legislative History*). Congress was also concerned about the lack of uniformity and consistency in and among the administrative and adjudicative processes of these agencies. *See generally APA Legislative History* at 189 (report of Senate Judiciary Committee), 242-44 (report of House Judiciary Committee). Acting upon information gathered for almost ten years, Congress set out to "enunciate and emphasize[ ] the tripartite form of our democracy and bring[ ] into relief the ever essential declaration that this is a government of law rather than of men." *Id.* at iii (Sen. McCarran).

As incorporated into Title 5 of the United States Code, the APA requires agencies to provide information to the public (§ 552), to follow specified rulemaking procedures (§ 553), and to follow procedures for formal administrative adjudications (§ 554) and hearings (§ 556). The APA goes on to state: "This subchapter [and] chapter 7 . . . , do not limit or repeal *additional requirements* imposed by statute or *otherwise recognized by law*. . . . Subsequent statute may not be held to supersede or modify this subchapter [and] chapter 7 . . . , except to the extent that it does so expressly." 5 U.S.C. § 559 (emphasis added). In chapter 7, the APA provides for judicial review of agency "action, findings, and conclusions":

> To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall
>
> (1) compel agency action unlawfully withheld or unreasonably delayed; and
>
> (2) hold unlawful and set aside agency action, findings, and conclusions found to be—
>
> (A) *arbitrary, capricious*, an abuse of discretion, or otherwise not in accordance with law;
>
> (B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by *substantial evidence* in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

Id. at § 706 (emphases added). Section 10, codified in relevant part at 5 U.S.C. §§ 701-706, "assumes that if the notice, hearings, and finding procedures are adopted as recommended they will obviate the reasons for change in the area and scope of judicial review." *APA Legislative History* at 2163.

The Department of Justice, which initially drafted the legislation that became the APA—the McCarran-Sumners Bill—explained that the bill had four basic purposes: "1. To require agencies to keep the public currently informed of their organization, procedures and rules (sec. 3). 2. To provide for public participation in the rule making process (sec. 4). 3. To prescribe uniform standards for the conduct of formal rule making (sec. 4(b)) and adjudicatory proceedings (sec. 5),

i.e., proceedings which are required by statute to be made on the record after opportunity for an agency hearing (secs. 7 and 8). 4. *To restate the law of judicial review.* (sec. 10)." *Attorney General's Manual on the Administrative Procedure Act* 9 (1947) (formatting and emphasis added). As is evident throughout the Attorney General's Manual,[3] the act was drafted to restate rather than alter existing, established standards: "It not only does not supersede special statutory review proceedings, but also generally leaves the mechanics of judicial review to be governed by other statutes and by judicial rules." *Id.* at 93. The Department of Justice intended that Congress enact any changes to existing laws of judicial review through explicit, subsequent legislation. *See id.* at 139 (§ 12).

Previous bills and substantial congressional testimony exempted, explicitly, the Patent Office from the APA's generally uniform standards of review. *See generally APA Legislative History* at 22 (The Senate Judiciary Committee's explanation of section 5 of Senator McCarran's bill: "The exception of matters subject to a subsequent trial of the law and the facts *de novo* in any court exempts such matters as . . . the

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[3] While not binding on our interpretation of the judicial review requirements imposed by the APA, the Attorney General's Manual provides persuasive historical evidence of the quality of review intended by the APA. *See, e.g., Steadman v. SEC*, 450 U.S. 91, 102 n. 22, 101 S. Ct. 999, 1008 n. 22, 67 L.Ed.2d 69 (1981) (giving deference because "Justice Clark was Attorney General both when the APA was passed and when the Manual was published"); *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519, 546, 98 S. Ct. 1197, 1213, 55 L.Ed.2d 460 (1978) (giving deference to "contemporaneous interpretation" of Attorney General's Manual "because of the role played by the Department of Justice in drafting the legislation").

work of the Patent Office (since judicial proceedings may be brought to try out the right to a patent)."); *id.* at 332 (statement of Allen Moore: "[The second of two exemptions in section 4] rules out such matter as . . . the work of the Patent Office (since judicial proceedings may be brought to try out the right to a patent)."); McCarran-Sumners Bill, S. 7, H.R. 1203, 79th Cong., § 9 (1945) (excluding Patent Office from judicial review chapter when the bill was first introduced); *Administrative Procedure: Hearings Before a Subcomm. of the Comm. on the Judiciary, United States Senate on S. 674, S. 675, and S. 918*, 77th Cong., at 20 (1941) (S. 675, § 301(f) expressly exempted matters relating to the patent and trademark laws); *id.* at 620 (Conder C. Henry, Assistant Commissioner of Patents, testifying: "We accordingly strongly recommend that any bill reported out of this committee exempt by express terms the Patent Office from the main provision."); Walter-Logan Bill, S. 915, H.R. 6324, 76th Cong. (1939) (President Roosevelt vetoed H.R. 6324, *see* H.R. Doc. No. 986, at 4 (1940), pending a report from the Attorney General's Committee on Administrative Procedure; section 7(b) of the resolution exempted, *inter alia*, "any matter concerning or relating to . . . patent, trademark, copyright. . . . "). These explicit exemptions make the absence of similar language from both the APA and the Attorney General's Manual instructive, even more so considering that Congress adopted the APA unanimously despite numerous compromises. *Cf. Wong Yang Sung v. McGrath*, 339 U.S. 33, 40, 70 S. Ct. 445, 450, 94 L.Ed. 616 (1950) ("The Act thus represents a long period of study and strife; it settles long-continued and hard-fought contentions, and enacts a formula upon which opposing social and political forces have come to rest. It contains many

compromises and generalities and, no doubt, some ambiguities.").

This history suggests that Congress drafted the APA to apply to agencies generally, but that because of existing common law standards and the availability of trial *de novo* pursuant to section 4915 of the Revised Statutes, the predecessor of 35 U.S.C. § 145, Congress did not intend the APA to alter the review of substantive Patent Office decisions. The Commissioner's current argument—that by removing language excluding the Patent Office from the McCarran-Sumners Bill, Congress intended courts to review board adjudications under the APA's substantial evidence or arbitrary and capricious standards—is less persuasive in light of these contemporaneous reports from the members of Congress and from Attorney General Clark. Rather, it is more likely that Congress viewed an explicit exception for the Patent Office as redundant in light of the "otherwise recognized by law" exception, 5 U.S.C. § 559, the *de novo* review exception, section 554(a)(1), or both. Such an interpretation would be consistent with the decision of the aforementioned Attorney General's Committee on Administrative Procedure not to study the highly specialized procedures of the Patent Office in preparing its report. *See, e.g., Hearings on S. 674, S. 675, and S. 918, supra* at 620, 1212-13 (statements of Conder C. Henry and Harold T. Stowell).

From this background, we construe section 559 as freeing Patent and Trademark Office patentability decisions from judicial review under standards enumerated by sections 706(2)(A) (arbitrary or capricious standard applied to informal agency proceedings) and 706(2)(E) (substantial evidence standard applied to formal agency proceeding), to the extent that a statutory

or common law standard was a more searching standard and hence an additional requirement recognized prior to 1947 that has not since been statutorily modified. Thus, the portion of section 559 stating that the judicial review provisions of the Act were not meant to "limit or repeal additional requirements . . . recognized by law" is best understood as preserving those standards of judicial review that had evolved as a matter of common law, rather than compelling that all such standards of review be displaced by the new statute. This construction preserves the benefits derived from the symbiotic relationship between judicially constructed common law and congressionally fashioned statutory law in the area of judicial review. *See, e.g.*, 5 Kenneth Culp Davis, Administrative Law Treatise 332, § 29, 1 (2d ed. 1984) ("Although the law of scope of review is a mixture of judge-made law with statutes, almost all the statutes have their origin in judicial thinking. For instance, § 706 of the Administrative Procedure Act . . . is basically a codification of law created by courts."). It also respects congressionally established limits on the creation of new common law in the area of judicial review, after 1947, as manifested by Congress' choice to exclude the "otherwise recognized by law" exception from the final sentence of 5 U.S.C. § 559: "Subsequent statute may not be held to supersede or modify this subchapter [and] chapter 7 . . . , except to the extent that it does so expressly." In adopting this construction, we deny the Commissioner's argument that the "otherwise recognized by law" language in section 559 requires that a single, clearly labeled standard of review was recognized before 1947.

III.

What kind of judicial review of Patent Office board fact finding did the common law recognize prior to 1947, and what did or do patent statutes require? It would be disingenuous to suggest that the courts employed a uniform standard of review prior to 1947. Because the reasons for this ambiguity come as much from the birth of new principles referred to by Cardozo in *The Nature of the Judicial Process* 166-67 (1921), as they do from the historical development of our patent statutes, *see* Oliver Wendell Holmes, *The Common Law* 33 (M. Howe ed. 1963) ("The history of what the law has been is necessary to the knowledge of what the law is."), we can recognize a standard only by studying the history of the cases and the patent statutes upon which they rely.

The first patent act gave the Secretary of State, the Secretary of War, and the Attorney General the authority to examine and issue patents. *See* Act of April 10, 1790, ch. 7, § 1, 1 Stat. 109, 109-10. There was no provision for an appeal from the decision of these Commissioners for the Promotion of Useful Arts. In 1793, Congress eliminated the examination of patents and directed that they be issued when the formal technical requirements, which were enumerated by statute, had been met. *See* Act of Feb. 21, 1793, ch. 11, §§ 3, 12, 1 Stat. 318-23. Congress gave the district courts responsibility for striking down invalid patents. *See id.* at 323 (§ 10). The act also provided for a three-member panel to arbitrate interfering applications, with one member suggested by each party and the third by the Secretary of State. *See id.* at 322-23(§ 9). However, the act provided no standards or processes by which an applicant could secure review when the

application was determined not to meet the formal technical requirements.

By the Act of July 4, 1836, Congress created an examination system for issuing patents. *See* Act of July 4, 1836, ch. 357, 5 Stat. 117. This act established a Patent Office, which it attached to the Department of State. *See id.* at 117-18 (§ 1). The act also created a presidentially appointed Commissioner of Patents to decide, *inter alia*, questions of patentability, and a three-member board of examiners appointed by the Secretary of State to hear *ex parte* appeals from those whose applications the Commissioner denied. *See id.* at 119-20 (§ 7). A party aggrieved by the outcome of an interference proceeding could "have remedy by bill in equity" in a United States court. *Id.* at 123-24 (§ 16). However, there was no appeal available from the decision of the board of examiners. In 1839, Congress first provided for review of patentability determinations of the Commissioner through a bill in equity to the Chief Justice of the District of Columbia, instead of review by the board of examiners. *See* Act of March 3, 1839, ch. 88, §§ 10, 11, 5 Stat. 353, 354.

In 1861, Congress provided for presidential appointment of three examiners-in-chief to consider appeals from an examiner's denial of a patent "for the purpose of securing greater uniformity of action in the grant and refusal of letters-patent." Act of March 2, 1861, ch. 88, § 2, 12 Stat. 246. The Commissioner of Patents heard appeals from this board, and then, as provided by the 1839 Act, the Chief Justice of the District of Columbia heard appeals from the Commissioner. *See ibid.* If unsuccessful in either venue, an applicant could still bring an action in equity in a federal district court. However,

neither the 1839 nor the 1861 acts articulated the standard of review to be used by these courts.

The Act of July 8, 1870, ch. 230 § 1, 16 Stat. 198, attached the Patent Office to the Department of the Interior. This act directed review of the examiners' patentability determinations to the examiners-in-chief (§ 46), from there to the Commissioner (§ 47), and then to the supreme court of the District of Columbia, sitting in banc (§ 48). If the Commissioner or the supreme court of the District of Columbia refused to grant a patent, applicant could seek a remedy by bill in equity. *See id.* (§ 52). This act also provided for review of the supreme court of the District of Columbia in the Supreme Court of the United States for any action "touching patent rights." *Id.* (§ 56). However, despite this elaborate review ladder, the act set out no standard for reviewing patentability determinations.

Reviewing a decision made under the authority of the 1870 act, the Supreme Court stated:

> Upon principle and authority, therefore, it must be laid down as a rule that, where the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction. Tested by that rule, the solution on this controversy is not difficult. Indeed, the variety of opinion expressed by the different officers who have examined this testimony is persuasive that the question of priority is doubtful, and, if doubtful, the decision of the patent office must control.

Morgan v. Daniels, 153 U.S. 120, 125, 14 S. Ct. 772, 773-74, 38 L.Ed. 657 (1894) (review of Patent Office's interference decision under § 4915, Revised Statutes, predecessor to 35 U.S.C. § 146). In concluding, the Court stated: "It is enough to say that the testimony as a whole is not of a character or sufficient to produce a clear conviction[4] that the Patent Office made a mistake. . . ." *Id.* at 129, 14 S. Ct. at 775.

Following *Morgan*, the Court of Appeals for the District of Columbia reversed the Commissioner's decision only if it was manifestly wrong, *see, e.g.*, *Hopkins v. Riegger*, 262 F. 642, 643 (D.C. Cir. 1920) (interference); *Lindmark v. Hodgkinson*, 31 App. D.C. 612, 614 (1908) (interference), where the error was manifest or palpable; *see, e.g.*, *Bonine v. Bliss*, 259 F. 989, 989-90 (D.C. Cir. 1919) (interference); *Podlesak v. McInnerney*, 26 App. D.C. 399, 405, 408 (1906) (interference), or in a very clear case, *In re Barratt*, 11 App. D.C. 177, 179 (1897) ("[W]hile the appellant's device commends itself to our favorable consideration and may upon a judicial investigation, wherein proof is more fully supplied and the condition of the art more clearly set forth, be found entitled to the merit of patentable novelty, we should hesitate in this *ex parte* proceeding to reverse the concurrent decisions of all the tribunals of the Patent Office.").

In 1925, Congress moved the Patent Office to the Department of Commerce, *see* Act of March 4, 1925, ch. 1, § 1, 44 Stat. 1165, and in 1927, conjoined the review

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[4] We have said that this clear or thorough conviction of mistake standard does not differ substantively from the clear error standard we use today. *See Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038, 227 USPQ 848, 851 (Fed. Cir. 1985).

functions of the examiners-in-chief and the adjudicatory authority of the Commissioner, thereby eliminating appeals from the former to the latter, *see* Act of March 2, 1927, ch. 273, § 3, 44 Stat. 1335, 1335-36. The 1927 act gave the Commissioner authority to choose the three-member board, called the Board of Appeals, that would review patentability decisions. *See id.* It also provided dissatisfied applicants with appeal rights to the Court of Appeals of the District of Columbia, in which case the applicants could not seek remedy by bill in equity under section 4915 of the Revised Statutes. *See id.* at 1336 (§ 8). Two years later, Congress created the Court of Customs and Patent Appeals (CCPA), splicing jurisdiction from the Court of Appeals for the District of Columbia over patent and trademark appeals from the Patent Office together with the jurisdiction of the Court of Customs Appeals over customs cases. *See* Act of March 2, 1929, ch. 488, §§ 1, 2, 45 Stat. 1475, 1475-76. However, like the Acts of 1870 and 1927, the Act of 1929 did not speak to the standard of review over factual findings of the Patent Office.

Asked to report one common law standard of review used by the courts vested with appellate jurisdiction over factual findings from the Patent Office, the cases author no clear answer. Their language is too ambiguous either because Congress and the Patent Office frequently tested new appellate structures, because the courts could not foresee the question presently before us, or—like many of our own cases—the application of a different standard of review would not have affected the outcome. The cases articulate various standards or methods of review, including the clear error standard, each of which requires more rigorous review than is required by the APA. *See, e.g.*, *Rodli v. Phillippi*, 33

C.C.P.A. 865, 154 F.2d 139, 140, 69 USPQ 97, 99 (CCPA 1946) ("most cogent evidence of mistake and miscarriage of justice" in fact finding of Board of Interference Examiners); *Mantz v. Jackson*, 31 C.C.P.A. 824, 140 F.2d 161, 164, 60 USPQ 329, 334 (CCPA 1944) (appellant given "heavy burden to show that the concurring decisions [of primary examiner and Board of Interference Examiners] are erroneous"); *Jardine v. Long*, 19 C.C.P.A. 1243, 58 F.2d 836, 836 (CCPA 1932) ("[T]his court . . . refuses to disturb decisions of the tribunals below [primary examiner and Board of Interference Examiners] upon findings of fact, unless fully convinced that such findings are not in accord with the weight of the evidence when such evidence is fairly weighed and construed.").

The manifest error standard, even if more deferential than the modern clear error standard as the Commissioner argues, clearly contemplates judicial review on more than just the board's own reasoning. *See, e.g.*, *Ranney v. Bridges*, 38 C.C.P.A. 1044, 188 F.2d 588, 596, 89 USPQ 419, 427 (CCPA 1951) ("It will be understood that in considering allegations of error as to findings of fact made by the tribunals of the Patent Office this court follows the proper and well established practice of appellate courts in refusing to reverse such findings unless we are convinced from our own study of the record that the findings are manifestly wrong because against the weight of the evidence.") Because of the recognized similarity in the meanings of the words "manifest" and "clear," and the similarity in the character of review they contemplate, we consider the manifest error standard to be at least a close cousin of the clear error standard. The CCPA also appears to have reviewed Patent Office fact findings "where it seemed

proper," *In re Christmann*, 27 C.C.P.A. 708, 107 F.2d 607, 609 (CCPA 1939), *de novo*, *see Townsend v. Smith*, 17 C.C.P.A. 647, 36 F.2d 292, 294 (CCPA 1929) (choosing not to apply the rule "that it must clearly and affirmatively appear that there has been some oversight, or mistake, or wrong construction of material facts . . . to justify this court in reversing the decision appealed from" because all three tribunals of the Patent Office differed "in their views as to what this evidence shows"),[5] and for material error, *see Zublin v. Pickin*, 21 C.C.P.A. 1097, 70 F.2d 732, 733 (CCPA 1934); *Clancy v. De Jahn*, 17 C.C.P.A. 714, 36 F.2d 131, 132 (CCPA 1929).

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[5] *Townsend*, and several cases cited *infra*, suggest that reviewing courts gave the Patent Office considerable deference when its various tribunals were in agreement, absent clear or manifest error in its fact finding. Some time in the early 1950s, courts ceased giving the Patent Office deference explicitly for this reason. *See, e.g., Application of Schechter*, 40 C.C.P.A. 1009, 205 F.2d 185, 188, 98 USPQ 144, 148 (CCPA 1953) ("Concurrent findings of lack of inventive novelty by the Patent Office tribunals are not conclusive upon this court, but they are persuasive since those tribunals presumably are familiar with the art."); *In re Kaufmann*, 39 C.C.P.A. 769, 193 F.2d 331, 335, 92 USPQ 141, 144 (CCPA 1951) ("We should like to note that if there were any doubt, the concurrent findings of obviousness or lack of invention by the tribunals of the Patent Office would be persuasive, although not conclusive, upon this court, since the Patent Office tribunals presumably are familiar with the advancement of the art."). Thus, although today's deference to the Patent and Trademark Office may have grown out of a respect for its specialized nature and the unanimity of its factual determinations, lack of unanimity would no longer require that a less deferential review standard be applied—because we review only the decision of the board on the record before it.

In stark contrast to the frequency with which the early cases used some review standard similar to clear error, these same cases appear not to have used the substantial evidence standard, which was applied by the Court to agency action in *Illinois Central Railroad Co. v. ICC*, 206 U.S. 441, 454, 466, 27 S. Ct. 700, 704, 709, 51 L.Ed. 1128 (1907). Nor have the patent cases used the arbitrary and capricious standard, which the Court applied to agency action in *United States ex rel. Ness v. Fisher*, 223 U.S. 683, 691, 694, 32 S. Ct. 356, 357-58, 359, 56 L.Ed. 610 (1912). Following Congress' enactment of the APA, the CCPA continued to review Patent Office decisions as it had done before 1947, without a clearly articulated standard of review. *See, e.g., Harris v. Clifford*, 53 C.C.P.A. 1463, 363 F.2d 922, 924, 150 USPQ 630, 632 (CCPA 1966) (following *Rodli, supra*, in applying the "most cogent evidence of mistake" standard); *Johns-Manville Corp. v. Ladd*, 328 F.2d 563, 563, 140 USPQ 362, 363 (D.C. Cir. 1964) (Patent Office findings will not be overturned "unless clearly infected with error").

In 1952, Congress repealed prior patent laws and extensively revised them. *See* Act of July 19, 1952, Pub. L. No. 593, ch. 950, 66 Stat. 792, 815, § 293, sec. 5 (1952 Patent Act). Though this act provided for the form and venue of judicial review of board adjudication, *see id.* (§§ 141, 145-46), 66 Stat. at 802-03, like its predecessors it did not provide a standard of review, nor did it suggest that the CCPA's standard of review be altered in light of or despite the APA, which Congress had enacted just five years earlier. *See Fregeau v. Mossinghoff*, 776 F.2d 1034, 1037, 227 USPQ 848, 851 (Fed. Cir. 1985) ("In the legislative history addressing the carryover of these procedures into the 1952 Patent

Act, it is stated: 'This group of sections [§§ 141-146] makes no fundamental change in the various appeals and other review of Patent Office action.'" (quoting 1952 U.S.C.C.A.N. 2394, 2400)). Therefore, the 1952 Patent Act did not explicitly state a standard for the CCPA to use when reviewing factual findings of the Board of Appeals.

In 1962, Congress amended section 135 of the 1952 Patent Act by adding subsection "(c)." *See* Act of October 15, 1962, Pub. L. No. 87-831, 76 Stat. 958. In its third paragraph, this subsection provides for review of the Commissioner's discretionary action in administering subsection 135(c) (settlement agreements in interference proceedings) under section 10 of the APA, which is codified in relevant part at Title 5, Chapter 7 of the United States Code. "The doctrine [*expressio unis* [sic] *est exclusio alterius*] instructs that where law expressly describes a particular situation to which it shall apply, an irrefutable inference must be drawn that what was omitted or excluded was intended to be omitted or excluded." *Lueders*, 111 F.3d at 1576 n. 12, 42 USPQ2d at 1486 n. 12. This would suggest that Congress intended not to encumber other Patent Office proceedings, such as fact finding by the Board of Appeals, with the type of deferential review contemplated by section 10 of the APA.

Congress changed the name of the Patent Office to the Patent and Trademark Office, *see* Act of January 2, 1975, Pub. L. No. 93-596, § 1, 88 Stat.1949, and passed the Federal Courts Improvement Act of 1982, which in part merged the CCPA with the United States Court of Claims to create this court and what is now the Court of Federal Claims, *see* Act of April 2, 1982, Pub. L. No. 97-164, 96 Stat. 25. The 1982 act combined, *inter alia*, na-

tionwide jurisdiction over appeals from district courts in cases arising under the patent laws, 28 U.S.C. § 1295(a)(1), with jurisdiction over direct appeals from the Patent and Trademark Office's Board of Appeals and its Board of Patent Interferences, *id.* § 1295(a)(4). An expressed purpose for doing so, similar to the purpose expressed in the Act of March 2, 1861, was to increase uniformity of decisionmaking in patent cases. *See Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1573-74, 223 USPQ 465, 470-71 (Fed. Cir. 1984) (quoting S. Rep. No. 97-275 at 5, *reprinted in* 1982 U.S.C.C.A.N. 11, 15 and H.R. Rep. No. 97-312 at 23). The Federal Courts Improvement Act did not declare what standard of review this court should apply to decisions of the Board of Appeals. In 1984, Congress merged the Board of Appeals and the Board of Patent Interferences into the Board of Patent Appeals and Interferences. *See* Act of November 8, 1984, Pub. L. No. 98-622, § 201, 98 Stat. 3383, 3386. Thus, after more than two hundred years of evolution, the board is composed of members including the Commissioner, deputy and assistant commissioners, and examiners-in-chief. *See* 35 U.S.C. § 7(a). Panels of at least three board members selected by the Commissioner review twice-rejected or final decisions of a primary examiner, *see* 37 C.F.R. § 1.191 (1997), and can affirm or reverse on the grounds specified by the examiner, or remand to the examiner for further consideration with or without a new ground for rejection, or permit amendments. *See id.* § 1.196(a)-(b). The board's *ex parte* proceedings involving patentability are not recorded, nor are they "hearings on the record" within the meaning of 5 U.S.C. § 554 (requiring trial-type procedures and a reliance on a closed record). *See Railroad Comm'n of Texas v. United States*, 765 F.2d 221, 227 (D.C.Cir.1985) (distinguishing hearings from hearings on the record).

The proceedings rely on the technical expertise of board members, *see* 37 C.F.R. § 1.196(b) (1997), they provide the option of an oral hearing, *see id.* § 1.194(c) (twenty minutes for appellant and fifteen for primary examiner) though no live testimony is taken, they are conducted largely in confidence, *see* 35 U.S.C. § 122, they do not prohibit consideration of materials beyond the record, *see* 37 C.F.R. § 1.196(b), and they are conducted under considerable time constraints. The examiners-in-chief operate under their authority as experienced patent examiners, with "competent legal knowledge and scientific ability," 35 U.S.C. § 7, rather than under the discretionary adjudicatory authority delegated to the Commissioner.

Although the APA does not explicitly exempt the Patent and Trademark Office from its standards of review, and we have reviewed certain actions of the Commissioner in the exercise of his discretionary duties according to APA requirements, *see, e.g., Ray v. Lehman*, 55 F.3d 606, 608, 34 USPQ2d 1786, 1787 (Fed. Cir. 1995) (denial of petition to reinstate patent for failure to pay maintenance fee properly reviewed by district court under APA's abuse of discretion standard); *Morganroth v. Quigg*, 885 F.2d 843, 846, 12 USPQ2d 1125, 1126-27 (Fed. Cir. 1989) (refusal to revive application properly reviewed by district court under APA's arbitrary, capricious, abuse of discretion standard); *Heinemann v. United States*, 796 F.2d 451, 453-54, 230 USPQ 430, 433-34 (Fed. Cir. 1986) (award of patent to United States instead of employee properly reviewed by Claims Court under APA's arbitrary, capricious, abuse of discretion standards), we have not held the

board's patentability decisions to the requirements of 5 U.S.C. §§ 554 (adjudications other than those subject to *de novo* review), 556 (hearings required by §§ 552-54), or 557 (decisions when hearings are required by 556). Since the creation of this court, we have consistently applied the clearly erroneous standard when reviewing factual findings of the board. *See, e.g., Lueders*, 111 F.3d at 1571, 42 USPQ2d at 1482 (Fed. Cir. 1997) (clear error review of what a prior art reference teaches or suggests); *Mac Dermid*, 111 F.3d at 890-91, 42 USPQ2d at 1480 (Fed. Cir. 1997) (denying request for in banc hearing for reason stated in *Kemps*); *In re Mayne*, 104 F.3d 1339, 1341, 41 USPQ2d 1451, 1453 (Fed. Cir. 1997) (clear error review of facts underlying obviousness determination); *Kemps*, 97 F.3d at 1429, 1430-31, 40 USPQ2d at 1312-13 (upholding board's fact finding under less deferential standard of review obviated need for deciding propriety of using the APA standards); *In re Baxter Travenol Labs.*, 952 F.2d 388, 390, 21 USPQ2d 1281, 1283 (Fed. Cir. 1991) (clear error review of board's factual finding of anticipation); *In re Caveney*, 761 F.2d 671, 674, 226 USPQ 1, 3 (Fed. Cir. 1985) (clear error review of on-sale factual findings of Board of Appeals); *In re Wilder*, 736 F.2d 1516, 1520, 222 USPQ 369, 372 (Fed. Cir. 1984) (clear error review of Board of Appeal's finding of inadequate description); *In re De Blauwe*, 736 F.2d 699, 703, 222 USPQ 191, 195 (Fed. Cir. 1984) (first opinion of this court indicating that the clearly erroneous standard is applied to Board of Appeal fact finding).

From this brief historical survey, we see that no patent statute speaks explicitly to the standard to be used when reviewing decisions of the board. But the common law recognized several standards prior to 1947,

including clear error and its close cousins. Thus, we conclude that our more searching clear error standard of review is an "additional requirement" that was "recognized" in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559.

IV.

Our decision is buttressed by the principle of *stare decisis*. Courts do not set aside long-standing practices absent a substantial reason. *See Arizona v. Rumsey*, 467 U.S. 203, 212, 104 S. Ct. 2305, 2310, 81 L.Ed.2d 164 (1984) ("[A]ny departure from the doctrine of *stare decisis* demands special justification."). *See generally* 18 Moore's Federal Practice § 134.06[1][a] (3d ed. 1997). The principle of *stare decisis* is integral to our jurisprudence "because it promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process." *Payne v. Tennessee*, 501 U.S. 808, 827, 111 S. Ct. 2597, 2609, 115 L.Ed.2d 720 (1991). *Stare decisis*, moreover, has "special force in the area of statutory interpretation, for here . . . the legislative power is implicated, and Congress remains free to alter what we have done." *Patterson v. McLean Credit Union*, 491 U.S. 164, 172-73, 109 S. Ct. 2363, 2370, 105 L.Ed.2d 132 (1989).

In *Patterson*, the Court provided guidance about when prior decisions may be overruled:

In cases where statutory precedents have been overruled, the primary reason for the Court's shift in position has been the intervening development of the law, through either the growth of judicial doctrine or further

action taken by Congress. Where such changes have removed or weakened the conceptual underpinnings from the prior decision, or where the later law has rendered the decision irreconcilable with competing legal doctrines or policies, the Court has not hesitated to overrule an earlier decision.

* * * * * *

Another traditional justification for overruling a prior case is that a precedent may be a positive detriment to coherence and consistency in the law, either because of inherent confusion created by an unworkable decision, or because the decision poses a direct obstacle to the realization of important objectives embodied in other laws.

* * * * * *

Finally, it has sometimes been said that a precedent becomes more vulnerable as it becomes outdated and after being tested by experience, has been found to be inconsistent with the sense of justice or with the social welfare.

Id. at 173-74, 109 S. Ct. at 2370-71 (internal quotation marks and citations omitted).

Just as we find no language in the APA, in patent statutes, or the legislative materials that report their respective codifications, suggesting that we should alter our standard of review, we also find no such direction in our decisions or those that preceded the establishment of this court. While it is unclear what prejudice might befall patentees and patent applicants were the standard to be changed, the Commissioner has made no suggestion that our current standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the

patent system. The standard has not become a doctrinal anachronism, nor have the premises underlying it changed to make it irrelevant or unjustifiable—it is very much alive and in use throughout the legal system. Absent a reason to deviate from our settled practice of reviewing factual findings of the board's patentability determinations for clear error, we sustain the present standard of review. Our interpretation of section 559 of the APA permits this choice, because no statute speaks directly to a required standard, and review for clear error was certainly recognized in the cases—though perhaps not exclusively or intentionally—before 1947.

We believe that altering this standard, absent compelling reason to do so, replaces the very rule of law our jurisprudential system was created to promote with the erratic and arbitrary decisions of men that can only undermine the public's confidence. We also believe the premises underlying review for clear error justify its use in these circumstances. The Commissioner has suggested that imposing APA review on board decisions will not have much of an effect on the substance of those decisions. By making it clear that we review factual findings for clear error, and thereby review board decisions on our own reasoning, we hope the board understands that we are more likely to appreciate and adopt reasoning similar to its reasoning when it is both well articulated and sufficiently founded on findings of fact. *See Gechter v. Davidson*, 116 F.3d 1454, 1457-59, 43 USPQ2d 1030, 1032-35 (Fed. Cir. 1997). This should encourage administrative records that more fully describe the metes and bounds of the patent grant than would a more deferential standard of review. *Cf. Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17, ——, 117 S. Ct. 1040, 1051,

137 L.Ed.2d 146 (1997) ("Where no explanation is established, however, the court should presume that the PTO had a substantial reason related to patentability for including the limiting element added by amendment. In those circumstances, prosecution history estoppel would bar the application of the doctrine [of] equivalents as to that element.") It will preserve the confidence of inventors who have relied on this standard in prosecuting their patents. It will also promote consistency between our review of the patentability decisions of the board and the district courts in infringement litigation. Finally, it will help avoid situations where board fact finding on matters such as anticipation or the factual inquiries underlying obviousness become virtually unreviewable.

V.

Section 559, alone, neither requires our continued application of the "clearly erroneous" standard of review to fact findings in board decisions nor precludes it. Although it was simply one of several standards discernible from the case law prior to the 1947 enactment of the APA, the clear error standard was nevertheless an "additional requirement[ ] . . . recognized by law." There is no indication that Congress intended to alter that standard in enacting the APA. None of the amendments to the Patent Act since 1947 have substituted another standard of review, or indicated that only the APA standards should apply. We have applied the clear error standard—and only this standard—consistently since the court's genesis in 1982. Our ability to oversee complex legal determinations such as obviousness would be undermined if the board's underlying factual determinations were reviewed more deferentially than for clear error. In view of all these considerations, we conclude that section 559 and *stare decisis* together justify our continued application of this heightened level of scrutiny to decisions by the board. Accordingly, the question posed in this rehearing in banc is answered in the negative, and the decision of the Board of Patent Appeals and Interferences is reversed for the reasons set out in the court's opinion reported at 111 F.3d 887 (Fed. Cir. 1997).

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 96-1258

IN RE MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL, AND STEVEN B. LIPNER,

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[Filed: April 15, 1997]

Before: ARCHER, Chief Judge, NEWMAN, and MICHEL, Circuit Judges.

ARCHER, Chief Judge.

Applicants Mary E. Zurko et al. appeal from a decision of the Board of Patent Appeals and Interferences (Board) sustaining the rejection of their U.S. Patent Application No. 07/479,666 (the '666 application) under 35 U.S.C. § 103 (1994), *Ex parte Zurko*, No. 94-3967 (Bd. Pat. Apps. & Int. Aug. 4, 1995). We reverse.

BACKGROUND

The '666 application relates to a method for improving security in a computer system. A computer environment or system that has some form of security to prevent unauthorized users and commands is known as a "trusted" environment or system. Generally, "trusted" software or code is used to perform "trusted" commands. Because trusted code is often quite costly

to obtain, applicants sought to design a secure system which could operate with untrusted as well as trusted code.

Applicants' claimed method[1] generally involves processing a trusted command with untrusted code and sending that command to the trusted computing environment. The computer system then sends the command back to the user over a trusted pathway to verify the command. The user then sends a signal over the trusted pathway indicating whether the command is correct. If the command is correct, the system carries out the command.

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[1] Representative claim 1 reads as follows:

1. A machine-executed method for executing a trusted command issued by a user on a computer system, the computer system including an untrusted computing environment and a trusted computing environment, said method comprising the steps of:

(a) parsing the trusted command in the untrusted computing environment to generate a parsed command;

(b) submitting the parsed command to the trusted computing environment;

(c) displaying a representation of the parsed command to the user through a trusted path;

(d) receiving a signal from the user through a trusted path signifying whether the displayed representation accurately represents the user's intentions;

(e) if the signal signifies that the displayed representation does not accurately represent the user's intentions, then preventing the execution of the parsed command; and

(f) if the signal signifies that the displayed representation accurately represents the user's intentions, executing the parsed command in the trusted environment.

Claims 1, 4, and 5 of the '666 application stand rejected under 35 U.S.C. § 103 based on two pieces of prior art. The primary reference is the UNIX operating system as disclosed in the applicants' information disclosure statement. Applicants described the UNIX system as operating in a "trusted" environment yet able to run some untrusted programs unsecurely. They concluded that "the prior art includes an untrusted program parsing a command and then executing the command by calling a trusted service that executes in a trusted computing environment."

The secondary reference is a program known as Dunford, FILER Version 2.20, (FILER2) also disclosed in applicants' information disclosure statement. Applicants described the FILER2 program as one which "repeats back potentially dangerous user commands and requests confirmation from the user prior to execution." For example, applicants stated that when a user asks to delete a file, the FILER2 program will seek confirmation before that command is executed.

The Board sustained the rejection of the claims at issue, stating that "the artisan would have been *led from these teachings* to take the trusted command parsed in the untrusted environment and submitted to the trusted computing environment, as taught by UNIX, and to display the parsed command to the user for confirmation prior to execution, as suggested by [FILER2]." (Emphasis added.) According to the Board, the only claimed step not explicit in the prior art is the step of obtaining confirmation over a trusted path. The Board, however, viewed that step as inherent in the prior art. It stated in this connection that "[w]ith regard to communication over a trusted path, if not explicit in the prior art, it is either inherent or

implicit." Because UNIX parses a command in an untrusted environment and executes it in a trusted environment, the Board reasoned that any confirmation communication must inherently be over a trusted pathway and stated that it "is basic knowledge that communication in trusted environments is performed over trusted paths."

DISCUSSION

Obviousness is a legal question based on underlying factual determinations. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566, 1 USPQ2d 1593, 1596 (Fed. Cir. 1987). We review the ultimate determination of obviousness *de novo* and the underlying factual determinations for clear error. *In re Kemps*, 97 F.3d 1427, 1428, 40 USPQ2d 1309, 1311 (Fed. Cir. 1996).

Applicants argue that the references relied on fail to teach or suggest parsing a trusted command with untrusted code, followed by performing a confirmation or repeat-back with trusted code over a trusted path as claimed. Applicants contend that the Board's finding that the prior art inherently teaches this confirmation is clearly erroneous: UNIX does not suggest obtaining confirmation over a trusted communication path. According to applicants, the combination of UNIX with FILER2 suggests, at most, a system in which trusted commands are parsed in an untrusted environment and then repeated back to the user via the untrusted UNIX system. Applicants further argue that there is no motivation to combine the references and that the Board used hindsight.

The Patent & Trademark Office (PTO) responds that one of skill in the art wanting to create a secure system would know to seek verification of a command over a

trusted path because untrusted paths are by definition not secure. It points out that there are only two ways that FILER2's repeat-back confirmation can be performed—over a trusted path or over an untrusted path. The PTO asserts that one of skill in the art creating a high security system would naturally choose the trusted path. The PTO further argues that the motivation to combine the references comes from the nature of the problem to be solved.

We agree with applicants that the Board's finding that the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway is clearly erroneous.[2] *See In re Bell*, 991 F.2d 781, 784, 26 USPQ2d 1529, 1531 (1993) ("What a reference teaches and whether it teaches toward or away from the claimed invention are questions of fact."); *In re Napier*, 55 F.3d 610, 613, 34 USPQ2d 1782, 1784 (Fed. Cir. 1995) (stating that the inherent teaching of a prior art reference is a question of fact). In so erring, the Board impermissibly used hindsight to arrive at the claimed invention. *See W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553, 220 USPQ 303, 312-13 (Fed. Cir. 1983) ("To imbue one of ordinary skill in

---

[2] The Commissioner argues that this court should review findings by the Board using a more deferential standard as required by the Administrative Procedure Act, 5 U.S.C. § 706(2) (1994). Only the court sitting in banc may answer the question of whether a different standard of review of the Board's findings should apply and, if so, whether the Board's decision in light of supporting findings reviewed under such a standard should be affirmed.

The argument is appropriately made in a petition suggesting rehearing in banc, in a case such as this, wherein the court has decided that clear error by the Board requires reversal. *See In re Kemps*, 97 F.3d 1427, 1431, 40 USPQ2d 1309, 1312 (Fed. Cir. 1996).

the art with knowledge of the invention in suit, when no prior art reference or references of record convey or suggest that knowledge, is to fall victim to the insidious effect of a hindsight syndrome wherein that which only the inventor taught is used against its teacher."). While in retrospect, looking at applicants' invention, it might seem logical to perform a repeat-back in the UNIX system over a trusted line, neither UNIX nor FILER2 teaches communicating with the user over a trusted pathway.

In UNIX a command is parsed in an untrusted environment and is then sent to a trusted system. Thus, the only communication with the user takes place over an untrusted path. Likewise, the secondary reference, FILER2, relied on by the Board fails to supply this missing element. The Board has not pointed to any teaching of performing repeat-back commands in a trusted and secure system. The FILER2 program is directed to repeating back commands on an unsecure system to ensure that the user has correctly entered the command and not, as in the claimed invention, to ensure that the correct user has entered a command or to ensure that the command has not been altered. Because neither UNIX nor FILER2 teaches either explicitly or implicitly communicating with the user over a trusted pathway, the Board clearly erred in its finding of inherency from the prior art.

In addition, the Board also clearly erred in finding that UNIX, FILER2 and the record teach communicating with the user over both a trusted *and* an untrusted path as claimed. Indeed, the Board's findings that one skilled in the art knew that communications in trusted environments must be over trusted

paths teaches away from using both a trusted and an untrusted path.

Finally, to say that the missing step comes from the nature of the problem to be solved begs the question because the Board has failed to show that this problem had been previously identified anywhere in the prior art. *See In re Sponnoble*, 56 C.C.P.A. 823, 405 F.2d 578, 585, 160 USPQ 237, 243 (CCPA 1969) ("[A] patentable invention may lie in the discovery of the source of a problem even though the remedy may be obvious once the source of the problem is identified.").

Thus, we must conclude that, on this record, the obviousness of the claimed invention has not been established.

APPENDIX C

THIS OPINION WAS NOT WRITTEN FOR PUBLICATION

The opinion in support of the decision being entered today (1) was not written for publication in a law journal and (2) is not binding precedent of the Board.

Paper No. 29

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

EX PARTE MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL AND STEVEN B. LIPNER

Appeal No. 94-3967
Application 07/479, 666[1]

ON BRIEF

Before: THOMAS, KRASS and BARRETT, *Administrative Patent Judges.*

---

[1] Application for patent filed February 13, 1990.

KRASS, *Administrative Patent Judge.*

ON REQUEST FOR RECONSIDERATION

Appellants request reconsideration of that part of our decision of July 31, 1995 wherein we sustained the rejection of claims 1, 4 and 5 under 35 U.S.C. 103.

According to appellants, the decision was flawed in its assertion that the UNIX reference

> teaches the parsing of a trusted command in the untrusted computing environment. With regard to communication over a trusted path, if not explicit in the prior art, it is either inherent or implicit [bottom of page 7 of the decision].

Appellants challenge this assertion and ask for a citation of evidence in support thereof.

The decision relied on the citation of the UNIX system as reported in the information disclosure statement (Paper No. 6, page 2) wherein it was stated that "[t]hese system calls could be regarded as 'trusted'." The disclosure goes on to say that the system calls can "all be used by unprivileged programs running on behalf of unprivileged users. Such programs may be deemed 'untrusted'." The disclosure then concludes with: "Thus, the prior art includes an untrusted program parsing a command and then executing the command by calling a trusted service that executes in a trusted computing environment. . . ."

Therefore, it appears clear to us, from the information disclosure statement that it was known to use untrusted programs to parse trusted commands. When one speaks of "trusted" commands, it is our view that the artisan would have understood this to mean commands or information that is normally communicated

over a trusted path. This meaning, to us, is inherent in the term "trusted" and it appears totally unreasonable for appellants to demand any more evidence than the term itself. See *In re Bozek*, 416 F.2d 1385, 163 USPQ 545 (CCPA 1969).

Appellants next contend that reference to a trusted and untrusted computing environment is not the same as a trusted communications path in a computing environment that includes both trusted and untrusted components [top of page 2 of the request for reconsideration]. It is our view, however, that reference to a trusted computing environment necessarily implies a "trusted communications path." Since the prior art clearly indicates both a trusted and untrusted computing environment, it also implies that there are trusted and untrusted communications paths attendant thereto.

In response to appellants' assertion [page 2 of the request for reconsideration] that the cited references do not suggest the specific technique of parsing a command in the untrusted environment, then repeating back the command for confirmation over a trusted path, achieving an advantageous division of labor, our rationale for combining the teachings of the applied references is fully explained at pages 6-9 of our decision and need not be reiterated here.

We have granted appellants' request to the extent that we have reconsidered our decision but we deny the request with regard to making any changes therein.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. 1.136(a).

DENIED

APPENDIX D

THIS OPINION WAS NOT WRITTEN FOR PUBLICATION

The opinion in support of the decision being entered today (1) was not written for publication in a law journal and (2) is not binding precedent of the Board.

Paper No. 27

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

EX PARTE MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL AND STEVEN B. LIPNER

Appeal No. 94-3967
Application 07/479, 666[1]

ON BRIEF

Before: THOMAS, KRASS and BARRETT, *Administrative Patent Judges.*

---

[1] Application for patent filed February 13, 1990.

KRASS, *Administrative Patent Judge.*

DECISION ON APPEAL

This is a decision on appeal from the final rejection of claims 1, 4 and 5. Claims 6 through 14, 16 and 21 are drawn to a nonelected invention and are not before us on appeal herein.[2] Claims 2, 3, 15 and 17 through 20 have been cancelled.

The invention is directed to a method for executing a "trusted" command in a secure computer system whereby the trusted command is parsed in an "untrusted" computing environment so that a trusted command is implemented through both a trusted command and an untrusted code, resulting in cost savings on the more expensive trusted command apparatus. Complexity of the trusted computer base (TCB) is reduced, which permits this cost saving, by reducing the amount of trusted code that must be verified or assured.

Independent claim 1 is reproduced as follows.

1. A machine-executed method for executing a trusted command issued by a user on a computer system, the computer system including an untrusted computing environment and a trusted computing environment, said method comprising the steps of:

(a) parsing the trusted command in the untrusted computing environment to generate a parsed command;

(b) submitting the parsed command to the trusted computing environment;

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[2] Responsive to a restriction requirement made on July 21, 1993 (Paper #17), appellants provisionally elected, "under protest," to prosecute claims 1, 4 and 5 (Response of August 23, 1993-Paper #18).

(c) displaying a representation of the parsed command to the user through a trusted path;

(d) receiving a signal from the user through a trusted path signifying whether the displayed representation accurately represents the user's intentions;

(e) if the signal signifies that the displayed representation does not accurately represent the user's intentions, then preventing the execution of the parsed command; and

(f) if the signal signifies that the displayed representation accurately represents the user's intentions, executing the parsed command in the trusted environment.

The examiner relies on the following references.

UNIX operating system as disclosed in the information disclosure form paper #6 page #2.

Dunford, FILER Version 2.20 User documentation 05/14/86 also as disclosed in the information disclosure form, paper #6, page #2.

Claims 1, 4 and 5 stand rejected under 35 U.S.C. 112, second paragraph as being indefinite. Claims 1, 4 and 5 stand further rejected under 35 U.S.C. 103 as unpatentable over UNIX in view of Dunford.

Reference is made to the briefs and answers for the respective details of the positions of appellants and the examiner.

OPINION

At the outset, we note that, at the top of page 1 of the reply brief, appellants complain about the timing of the restriction requirement in this case, *i.e.* , after the filing of the notice of appeal and the principal brief, and

request that we "review the final rejection as to all the appealed claims, not just as to those provisionally elected."

While we sympathize with appellants and agree that the restriction requirement was ill-timed[3], appellants' remedy is through a petition to the Commissioner under 37 C.F.R. 1.181 and not through an appeal to the Board. We note that a normal petition of the restriction requirement under 37 C.F.R. 1.144 does not seem appropriate in the instant case because section 1.144 states that such a petition "must be filed not later than appeal" while the examiner in this case did not make the requirement until after the appeal had been filed.

Accordingly, the only claims before us on appeal herein are claims 1, 4 and 5. In accordance with appellants' grouping of the claims at page 2 of the principal brief, claims 1, 4 and 5 are argued separately with regard to the rejections under 35 U.S.C. 112, second paragraph but stand or fall together with regard to the rejection under 35 U.S.C. 103.

Turning first to the rejection of claims 1, 4 and 5 under the second paragraph, we will not sustain this rejection.

The examiner lists many alleged errors in the claims. Some of these allegations include the following: "The claim [claim 1] does not state that the untrusted environment will submit the parsed command to the trusted environment;" ". . . the command could have been parsed anywhere as long as the parsed command

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[3] MPEP 811, in explaining 37 C.F.R. 1.142(a), states that "the examiner should, make a proper requirement as early as possible in the prosecution, in the first action if possible, otherwise, as soon as a proper requirement develops."

is submitted and displayed back to the user in the trusted environment;" and "the claim is missing essential information." The examiner also contends that while claim 1 recites a method of executing a trusted command, the "steps at best support verifying whether a command should be executed. This is not executing a command." The examiner also concludes that the limitations of claims 4 and 5 are not limitations on the method of claim 1.

It is clear from the tenor of the examiner's language that the examiner indeed understands the invention, as claimed. The allegations of the examiner appear to us to be recommendations as to how to make the claims more complete, or narrower in scope. In our view, they relate to breadth, rather than indefiniteness. With regard to whether the steps of claim 1 support the preamble's "method for executing . . . ," it is clear from the last step of the claim that *if* the received signal accurately represents the user's intentions, the parsed command is executed. We also find nothing improper about claims 4 and 5 since these claims merely limit the types of "trusted" and "untrusted" computing environments, respectively.

The rejection of claims 1, 4 and 5 under the second paragraph of 35 U.S.C. 112 is reversed.

We now turn to the rejection of claims 1, 4 and 5 under 35 U.S.C. 103, focusing our attention on claim 1.

As noted by the examiner, Dunford teaches that the FILER program "repeats back potentionally dangerous user commands and requests confirmation from the user prior to execution" (from appellants' disclosure statement (page 2)). Thus, although not in a secured, or trusted, environment, Dunford clearly suggests to

the artisan that it is desirable for the user to view the command and verify such command before execution.

As stated in appellants' information disclosure statement (page 2), relied on for the prior art disclosure, the UNIX operating system teaches that "the prior art includes an untrusted program parsing a command and then executing the command by calling a trusted service that executes in a trusted computing environment, namely kernel mode." Appellants also state therein that "[t]his art is believed to be pertinent to claim 1 prior to its amendment."

It is our view, as it was the examiner's, that the artisan would have been led from these teachings to take the trusted command parsed in the untrusted environment and submitted to the trusted computing environment, as taught by UNIX, and to display the parsed command to the user for confirmation prior to execution, as suggested by Dunford. It would have been nothing more than exercise of good common sense to prevent the execution of the command if it does not represent the user's intention and to permit execution when the command does represent the user's intention. This is the purpose of displaying the command to the user for confirmation, as taught by Dunford.

In their principal brief, appellants argue that there is no suggestion for combining the teachings of Dunford and UNIX. We disagree. UNIX clearly teaches the execution of a user command and, as taught by Dunford, albeit in an untrusted environment, it is desirable for the user to confirm commands prior to execution. Clearly then, a user would have desired to view and verify the commands in UNIX. In our view, the combination is proper.

On page 15 of the principal brief, appellants also argue that in the instant claim, both the repeat back and the confirmation are communicated over a trusted path and that the parsing of the trusted command in an untrusted environment is followed by transmission of a parsed representation of the command to the trusted environment.

Clearly, from the recited portion of UNIX *supra*, this reference teaches the parsing of a trusted command in the untrusted computing environment. With regard to communication over a trusted path, if not explicit in the prior art, it is either inherent or implicit. As the examiner states, at page 7 of the principal answer, "it is basic knowledge that communication in trusted environments is performed over trusted paths." This Official notice taken by the examiner is challenged by appellants at page 2 of the reply brief. While normally the examiner would be put to his/her proof when challenged as to a contention of Official notice, that challenge must be reasonable. *In re Boon*, 439 F.2d 724, 169 USPQ 231 (CCPA 1971). We do not consider appellants' challenge in the instant case to be reasonable as, in our view, there can be no reasonable doubt that communication in trusted environments must be over trusted paths, by definition. If not, the system is not trusted, or secure. Appellants' position to the contrary belies common sense in the secure communication arts. See *In re Bozek*, 416 F.2d 1385, 163 USPQ 545 (CCPA 1969). Communication in a trusted environment would normally be assumed, by artisans, to be over trusted paths.

Appellants' disclosed and claimed invention appears to be in the reduction of the amount of trusted code that must be verified or assured, thus reducing the com-

plexity of the trusted computer base (TCB). This much is believed to be taught by the prior art UNIX system portion quoted *supra*. While appellants admit, in their disclosure statement, that, regarding UNIX, "[t]his art is believed to be pertinent to claim 1 prior to its amendment" (the amendment believed to be amendment of Paper #11, June 23, 1992), we find nothing in this amendment which distinguishes over that taught by UNIX. UNIX clearly mentions both a trusted and an untrusted computing environment in its disclosure of an untrusted program and a trusted system. With regard to amendment of a "trusted path," as explained *supra*, artisans would have been aware that communications in a trusted computing environment will take place over trusted paths. The addition of executing the command if verified by the user is, as explained *supra*, only an exercise of common sense by an artisan. Clearly, execution would be desired only if the command is confirmed by the user.

We have sustained the rejection of claims 1, 4 and 5 under 35 U.S.C. 103 but we have not sustained the rejection of claims 1, 4 and 5 under 35 U.S.C. 112, second paragraph. Accordingly, the examiner's decision is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. 1.136(a).

AFFIRMED

No. 98-277

Supreme Court, U.S.
FILED
SEP 28 1998
OFFICE OF THE CLERK

IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

BRUCE A. LEHMAN,
Commissioner of Patents and Trademarks,
Petitioner,

v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GLASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREW H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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30 pp

QUESTION PRESENTED

Whether the Administrative Procedure Act bars the United States Court of Appeals for the Federal Circuit from applying the long-standing "clearly erroneous" standard to review of fact-finding by the Patent and Trademark Office?

CERTIFICATE OF INTEREST

Counsel for Respondents, Mary E. Zurko, et al., hereby certifies pursuant to S. Ct. R. 29(6) as follows:

1. The individuals listed below are the nominal parties in this matter because applications for patents must be in the names of natural persons who are the inventors. 35 U.S.C. 111:

> Mary E. Zurko, Thomas A. Casey, Jr., Morrie Glasser, Judith S. Hall, Clifford E. Kahn, Andrew H. Mason, Paul D. Sawyer, Leslie R. Kendall, and Steven B. Lipner.

2. The name of the real party in interest to whom the inventors have assigned their interest in the invention, 35 U.S.C. 152, is:

> COMPAQ COMPUTER CORPORATION, a Delaware corporation

3. There is no parent company of Compaq Computer Corporation. The sole nonwholly owned subsidiary of Compaq Computer Corporation is:

> COMPAQ COMPUTER TECHNOLOGIES (CHINA) CO. LTD., a joint venture

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

No. 98-377

BRUCE A. LEHMAN,
Commissioner of Patents and Trademarks,
Petitioner,

v

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GLASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREW H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

PROCEEDINGS BELOW

Respondents filed an application for a patent with the Patent and Trademark Office ("PTO") on February 13, 1990, U.S. Patent Application No. 07/479,666 ("the '666 application"). After a preliminary narrowing of the claims, a PTO examiner rejected them as "obvious" under 35 U.S.C. 103. On appeal to the Board of Patent

Appeals and Interferences ("PTO Board" or "Board"), the examiner's decision was affirmed. *Ex parte Zurko*, No. 94-3967 (Bd. Pat. Apps. & Int. Aug. 4, 1995). Respondents appealed directly to the United States Court of Appeals for the Federal Circuit pursuant to 35 U.S.C. 141, and a Panel of that court reversed, unanimously holding that the Board's conclusion of obviousness was based on "clearly erroneous" findings of fact. *In re Zurko*, 111 F.3d 887 (Fed. Cir. 1997). On rehearing, the *en banc* court again reversed the Board and unanimously held that "section 559 of the Administrative Procedure Act permits, and *stare decisis* warrants, our continued application of the clearly erroneous standard in our review of these fact-findings." *In re Zurko*, 142 F.3d 1447, 1449 (Fed. Cir. 1998).

STATEMENT OF FACTS

Respondents' '666 application sought patent protection for an invention which improves security in computing system transactions. Its claims recite a multi-step method for assuring that the command given on an open, unsecure route (an "untrusted" pathway) is confirmed through a secure route ("trusted" pathway) before it is implemented. User verification through a secure route prevents unauthorized users from misrepresenting the sender's commands. Since sensitive information such as credit card numbers and personal finances are transmitted through computing systems (*e.g.*, the Internet), the need for reasonably priced protection will increase as computer-based transactions increase. Respondents' invention meets this need.

The Information Discloure Statement filed by respondents during prosecution of the application listed several references and the Examiner cited two of them. The first cited reference was to the UNIX system which parsed commands (by interpreting a keyboard entry) in an untrusted code and passed the parsed command to trusted code for execution. The second, FILER2, repeated back potentially dangerous commands, such as commands that would erase or overwrite a file, to the user for confirmation, but did so only through an untrusted pathway. Neither reference, however, disclosed a repeat-back command in a secure (*i.e.*, trusted) system.

The methods disclosed in the prior art differ from the claims of the '666 application in several respects which the Federal Circuit concluded would not have been obvious under 35 U.S.C. 103. Respondents' invention "outsources" the work of parsing to untrusted code while using the security of the trusted code to communicate user verification. That is, unlike the prior art, respondents achieve verification by parsing a command in an untrusted program and by establishing a two-way pathway before performing a confirmation or repeat-back with trusted code over the two-way trusted pathway. The claimed invention permits the parsing chores to be delegated to the untrusted computing environment while maintaining the benefits of the trusted code. This delegation reduces the amount and complexity required of the trusted codes. These differences are summarized by the following Table: [1]

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[1] This table (with clarifying modifications) was presented to the Federal Circuit Panel below; the citations are to the appendix to appellants' brief. Brief for Appellants to Federal Circuit 16 (May 17, 1996).

COMPARISON OF PRIOR ART DISCLOSURES WITH ZURKO CLAIM

	Parsing of Commands		Repeat-back of Commands	
System	Untrusted Code	Trusted Code	Untrusted Pathway	Trusted Pathway
UNIX (A95) (prior art)	✔			
FILER2 repeat-back (A103) (prior art)			✔	
UNIX + FILER2 repeat-back (PTO's proposed combination: A6-A8)	✔		✔	
Prior trusted systems (A29)		✔		
Respondents' Claimed Invention (A18)	✔			✔

As this table illustrates, the UNIX system made no use of repeat-back commands whereas FILER2 was limited to repeat-back commands in an untrusted environment. Despite these differences, the Board concluded that the primary missing link—establishing a trusted path and then communicating the repeat-back over it with a command parsed in untrusted code—was "inherent or implicit" in the prior art. *In re Zurko*, 111 F.3d at 888 (quoting Board decision).

On review, a panel of the United States Court of Appeals for the Federal Circuit unanimously reversed the PTO's denial of a patent because the Board "has not pointed to any [prior] teaching of performing repeat-back commands in a trusted and secure system." *Id.* at 889.

After examining the record evidence, the court concluded that:

> [N]either UNIX nor FILER2 reaches either explicitly or implicitly communicating with the user over a trusted pathway . . . . In addition, the Board also clearly erred in finding that UNIX, FILER2 and the record teach communicating with the user over both a trusted *and* an untrusted path as claimed [by the Board]. Indeed, the Board's findings that one skilled in the art knew that communications in trusted environments must be over trusted paths *teaches away* from using both a trusted and an untrusted path. (*Id.* at 889-90, emphasis in original and added.)

The Board's determination that respondents' claimed method for improving the security of computer systems would have been obvious could not be sustained because it was based on "impermissibly used hindsight" and "clearly erroneous" factual findings. *Id.* at 889. But the Panel did not consider whether the Board's decision would have been upheld or reversed had its findings been reviewed using the "more deferential standard as required by the Administrative Procedure Act, 5 U.S.C. 706(2) (1994)" because modification of the court's long-standing "clearly erroneous" precedent could be made by "only the court sitting *en banc*." *Id.* at 889 n.2.

Accepting petitioner's request for rehearing, the Federal Circuit, sitting *en banc*, considered whether "Patent and Trademark Office fact-findings [should be reviewed] under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous standard.'" *In re Zurko*, 116 F.3d 874 (Fed. Cir. 1997). The court noted that this issue had been created by the "Commissioner [who] has campaigned aggressively" but not consistently for application of one or more of the deferential standards set forth in 706(2) of the APA—arguing sometimes for the "substantial evidence" standard under subsection (E), other times for the "arbitrary and capricious" test under subsection (A), and still others for either or both to be applied. *In re Zurko*, 142 F.3d at

1449 (listing cases). The court reviewed the APA's development, structure and terms and interpreted 559 as continuing statutory or common law standards to the extent that such pre-existing standards were "more searching" and thus were "additional requirement[s]" and had "not since been statutorily modified" by the APA. *Id.* at 1452. From its review of the patent acts from 1790 to the present, their provisions for judicial review, and the review standards applied by the courts during this time, the Federal Circuit found that its predecessor courts generally applied a "clearly erroneous" standard when reviewing PTO fact-finding, although not always using identical language in applying it. *Id.* at 1454. Moreover, in all cases the reviewing courts had "require[d] more rigorous review than is required by the APA" under 706(2), and in none of the pre-1946 cases had they "used the substantial evidence . . . [or] arbitrary and capricious standard[s]" of the APA. *Id.* Finally, "[f]ollowing Congress' enactment of the APA, the CCPA continued to review Patent Office decisions as it had done before 1947 . . .," *id.* at 1455, and the Federal Circuit has consistently applied the "clearly erroneous" standard since its formation in 1982.

As a result, the Federal Circuit, *en banc*, unanimously "conclude[d] that [its] more searching clear error standard of review is an 'additional requirement' that was 'recognized' in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559." *Id.* at 1457. This conclusion was "buttressed by the principle of *stare decisis*." *Id.* The Commissioner had "made no suggestion that [the] current standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the patent system." *Id.* at 1458. The court therefore held that it would continue to review PTO fact-findings under the "clearly erroneous" standard and that the decision of the Board should be reversed.

REASONS FOR DENYING THE PETITION

For the past five years, the Commissioner of Patents and Trademarks has engaged in an unremitting campaign to increase his power over patentability claims by seeking to displace the "clearly erroneous" standard of judicial review of PTO Board of Patent Appeals and Interferences fact-finding with a more deferential standard under Section 706(2) of the APA. 5 U.S.C. 706(2). However, after hearing the Commissioner's appeal *en banc*, the Federal Circuit unanimously upheld the application of the "clearly erroneous" test because its continuation was authorized by Section 559 of the APA as an "additional requirement" imposed at the time the Act was adopted. It is this settled law, first applied to the review of patentability determinations by this Court in *Morgan v. Daniels*, 153 U.S. 120, 125 (1894), that the petitioner seeks to overturn.

The petitioner fails to show that there is any basis for his claim that the APA requires rejection of the more demanding "clearly erroneous" standard of review of PTO fact-finding.[2] His argument is contrary to the plain lan-

[2] In addition, this matter is not ripe for review because there was no finding below that the Board's decision would be upheld applying the APA standards in 706(2). The Panel made clear that it made no such determination (111 F.3d at 889 n.2); the order for rehearing did not encompass that issue (116 F.3d at 874) although specifically raised by respondents in opposing the Commissioner's motion for rehearing (Brief of Appellants Opposing Petition for Rehearing 4-6 (June 20, 1997)); and the contrary statement in the introduction of the *en banc* court's opinion—"[c]oncluding that the outcome of this appeal turns on the standard of review used" (142 F.3d at 1449)—is an erroneous assumption based neither on the record nor any argument made to the court. See *United States v. Freuhauf*, 365 U.S. 146, 157 (1961) (advisory opinion if the issue "not necessary for decision"); *Allen v. Wright*, 468 U.S. 737, 751, *rehearing den.*, 468 U.S. 1250 (1984) (relief requested "must be 'likely' to follow from a favorable decision"); see also *In re Napier*, 55 F.3d 610, 614 (Fed. Cir. 1995) (standard of review irrelevant because Board's fact-finding could be affirmed under more stringent standard); cf. *Texas v. United States*, 118 S.Ct. 1257, 1259 (1998) (matter "not ripe" if it "may not occur at all").

guage of Section 559 of the APA, to the purpose and structure of the Act, to both contemporaneous and current interpretations of Section 559, and to the unanimous views of the court which has congressionally assigned responsibility for bringing uniformity to review of patentability issues. The current system of meticulous review by an appellate court with specialized jurisdiction has been a remarkable success, bringing consistency and rationality to complex patent questions. No reason has been given by the petitioner for changing this well-functioning system.[3]

I. THE FEDERAL CIRCUIT UNANIMOUSLY FOUND THAT THE "CLEARLY ERRONEOUS" STANDARD HAS BEEN APPLIED TO PTO BOARD FACT-FINDING REVIEW FOR OVER A CENTURY

Close examination of PTO fact-finding by reviewing courts under the "clearly erroneous" standard has been the rule since *Morgan v. Daniels*, 153 U.S. at 129 ("testimony as a whole is not of a character or sufficient to produce a clear conviction that the patent office made a

[3] There are, however, several statements in petitioner's "Reasons For Granting The Petition" which are not in dispute. These include: (a) that the PTO and its Board are "agencies" within the meaning of the APA and thus *generally* are subject to the APA's provisions on judicial review set forth in 706(2) (Solicitor General's Brief 11-12, 13-14) ("SG Br."); (b) that the patent laws grant a "dissatisfied" applicant two routes for review, namely, direct review by the Federal Circuit or, alternatively, initial review before a District Court followed by an appeal to the Federal Circuit (SG 12 & 13 n.3); (c) that the patent laws otherwise do not specify any specific standard of review (SG Br. 13); (d) that 706(2) generally provides a default standard for review of agency action (SG 13-14); (e) that the patent laws created a comprehensive statutory scheme for determination of patent applications by a specialized agency (SG 18-19); and (f) that proper administration of the patent system is important to the Nation's economic development (SG Br. 19-20). None, however, favors petitioner's argument; all are fully consistent with respondents' analysis herein.

mistake"). Subsequent cases generally applied the same or similar tests to measure whether the PTO's fact-finding was adequately justified. See, *e.g., Thompson v. Chapman*, 36 F.2d 300, 302 (CCPA 1929) ("We conclude, therefore, that the decision of the Board of Appeals . . . was not against the weight of the evidence, and was not clearly erroneous, and therefore is affirmed."). As is usual under the common law, courts occasionally used different terms to identify the test being applied. See, *e.g., General Motors v. Coe*, 120 F.2d 736, 737 (D.C. Cir. 1941) ("clearly wrong"); *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (appellant has burden of showing that the decisions of the examiner and Board "are erroneous"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) ("most cogent evidence of mistake and miscarriage of justice" in fact-finding); *Zublin v. Pickin*, 70 F.2d 732, 733 (CCPA 1934) ("material error"); see also *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985) ("no substantive difference between 'thorough conviction' and 'definite and firm conviction'" and "the clearly erroneous standard" applied today). In addition, all opinions addressing the standard of review issue before 1947 "require[d] more rigorous review than is required by the APA." *Zurko*, 142 F.3d at 1454. The Federal Circuit summarized the case law being applied before the APA was adopted as the "clear error [test] or its close cousins." *Id.* at 1457; *see also id.* at 1455 ("manifest error standard . . . [is] at least a close cousin of the clear error standard").

When the APA was adopted in 1946, no one suggested that it modified the existing "clearly erroneous" standard which had been applied to review PTO fact-finding since at least 1894. Thus, the Court of Customs and Patent Appeals continued to apply it after 1946.[4] For example,

[4] The CCPA was established by Congress in 1929 to review, *inter alia*, patentability issues decided by the PTO Board. Pub. L. 70-

in *Ranney v. Bridges*, 188 F.2d 588, 596 (CCPA 1951), the court discussed the standard of review as follows:

> It will be understood that in considering allegations of error as to findings of fact made by the tribunals of the Patent Office this court follows the proper and well established practice of appellate courts in refusing to reverse such findings unless we are convinced from our own study of the record that the findings are manifestly wrong because [they are] against the weight of the evidence.

Accord *Application of Kunzmann*, 326 F.2d 424, 426 (CCPA 1964) (applying "clearly erroneous" standard); *Johns-Manville Corp. v. Ladd*, 328 F.2d 563 (D.C. Cir. 1964) (PTO fact-findings not overturned " 'unless clearly infected with error' "). *See also In re Kemps*, 97 F.3d 1427, 1430 (Fed. Cir. 1996) (reviewing cases).[5]

II. THE TERMS, STRUCTURE, PURPOSE AND INTERPRETATION OF SECTION 559 SUPPORT CONTINUANCE OF THE "CLEARLY ERRONEOUS" REVIEW STANDARD

Section 559, originally the final section in the APA, provides that the Act did not "limit or repeal additional

914, 45 Stat. 1475 (1929); see G. Rich, *A Brief History of the United States Court of Customs and Patent Appeals* 80 (1980). It was replaced by a newly created Federal Circuit established in 1982 to review, *inter alia*, patentability issues decided by the PTO Board. Federal Courts Improvement Act, Publ. 97-164, 96 Stat. 25 (1982).

[5] Despite petitioner's contention in a footnote that judicial review of PTO factual determinations did not employ "a uniform standard of review" (SG Br. 17 n.7), he has not presented or preserved the issue of whether there was a pre-existing review standard "otherwise recognized by law" under Section 12 in 1946 as a question for review by this Court. Both petitioner's formulation of the "question presented" by the case at bar and his argument make clear that the sole basis for petitioner's appeal is his claim that the "additional requirements" provision of 559 does not apply to 706(2). SG Br. 15.

requirements" being applied at the time it was adopted. As noted above, the Court of Customs and Patent Appeals applied the more demanding "clearly erroneous" standard of review of PTO Board decisions in 1946. The plain language of Section 559, its location as the final section in the original Act, the drafters' purpose of "restating" the existing standards of judicial review in Section 706(2) of the APA, and both contemporaneous and current interpretations of 559 that the APA did not repeal more demanding standards, fully support the Federal Circuit's conclusion that the "clearly erroneous" test was not displaced by the more deferential standards in 706(2).

A. The APA Continued The "Clearly Erroneous" Standard For Review Of PTO Fact-Finding

Section 12 of the APA, as originally enacted, Publ. Law 404, 79th Cong., 60 Stat. 237-244 (June 11, 1946),[6] provided:

> CONSTRUCTION AND EFFECT
>
> Sec. 12. *Nothing in this Act shall be held* to diminish the constitutional rights of any person or *to limit or repeal additional requirements imposed by statute or otherwise recognized by law.* Except as otherwise required by law, all requirements or privileges relating to evidence or procedure shall apply equally to agencies and persons. . . . No subsequent legislation shall be held to supercede or modify the provisions of this Act except to the extent that such legislation shall do so expressly. . . . [em-

[6] Section 12 of the APA was codified by Publ. L. 89-554, 80 Stat. 378 (September 6, 1966), into 15 U.S.C. 559; this codification changed both the wording and placement of Section 12 in the original Act but not its legal effect. See H.R. Rep. No. 901, 89th Cong., 1st Sess. 3 (1965); S. Rep. No. 1380, 89 Cong., 2d Sess. 18 (1966); see also *IT&T v. Local 134, IBEW*, 419 U.S. 428, 432 n.3 (1975) ("no substantive changes were intended"). However, because these differences may have contributed to the erroneous argument in petitioner's brief, we refer only to the original law in Section 12 in this brief.

phasis added; deleting sentences relating to the Act's effective date which are not relevant herein]

Petitioner argues that the first sentence of Section 12 either does not apply to "matters" addressed by the APA or applies only to additions relating to its "core provisions" on public information, rulemaking or adjudication but not to judicial review. SG Br. 15. But the text of Section 12 refutes these contentions. No language in either Section 12 or any other provision of the APA conditions or otherwise bars application of the "additional requirements" term to the judicial review provisions of the APA. An examination of the terms "additional" and "requirements" separately and as combined also makes clear that they "naturally" encompass more stringent standards for judicial review.[7] Contrary to petitioner's assertions, nothing in the language of Section 12 specifies that such addi-

[7] The word "additional" is an adjective meaning something "added" or "supplementary." *The New Century Dictionary* 15 (New York: D. Appleton-Century Co. 1946). Likewise the term "additional" is used in Section 12 to modify the noun "requirements" which is defined as something that is "demanded or obligatory" as a condition. *Id.* at 1531. When the two terms are combined, as in Section 12, they are meant to specify that added obligations imposed on agency procedures or court review which were recognized at the time the APA was approved, and which were more demanding than those set forth in the APA, were to continue in force.

Petitioner's *ipse dixit* that the language of Section 12 "is perhaps most naturally read to refer only to matters not addressed by the APA" (SG Br. 15) is not supported by normal usage, as petitioner seems to claim, or explained by italicizing the word "additional" in the term "additional requirements." Petitioner apparently would read the word additional as "in addition to but not otherwise covered by any provision of the APA" or as "not related to standards for judicial review"—but such limiting terms are not to be found in Section 12 and they cannot be inferred from any other source. On the other hand, Congress expressly added such a limitation in the second sentence of Section 12 (as quoted above) when it provided that all "requirements or privileges" of the APA apply equally to agencies and persons but only insofar as they "relat[e] to evidence or procedure."

tional requirements were continued in force only if "consistent with" or "not different from" the judicial review standards in the APA. See SG Br. 15-16. The sole requirement was that they be in addition to, *i.e.*, more rigorous than, the APA standard. Under the petitioner's reading of Section 12, that it applies only to unrelated requirements not covered by the APA, the term "additional requirements" in Section 12 would lose all meaning because "unrelated" requirements necessarily are not affected by the APA.

B. The Structure, Purpose, And Contemporaneous Interpretation Of The APA Support The Plain Language Reading of Section 559 That It Did Not Displace More Stringent Statutory Or Common Law Standards of Review

Petitioner argues that Section 12 cannot apply to the standards for judicial review set forth in the APA because "an important general purpose of the APA was to 'supplant a variety of pre-existing methods for obtaining [judicial] review that differed from one agency to another.'" SG Br. 16, citing *Cousins v. Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (Breyer, J.). But *Cousins* does not support petitioner's argument that the APA overrode all pre-existing standards of judical review, and the hallmark of the APA's provisions on standards of review is their substantial flexibility in setting review minima and in permitting growth thereunder. See, *e.g.*, *Motor Vehicle Mfrs. Assn v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29 (1983) (approving "hard look" review of rulemaking under "arbitrary and capricious" test).

The ruling in *Cousins* upon which petitioner relies did not in any way address the standard to be applied to review of agency fact-finding. It related solely to the issue of *obtaining* judicial review—*i.e.*, whether plaintiff had an implied right of action under another statute. (Indeed, the plaintiff in *Cousins* did not assert that his claimed private right of action existed at the time the APA was

adopted in 1946 or that it was an additional, more stringent requirement.) Rather, the plaintiff claimed that he was entitled to an implied right of action based on the Rehabilitation Act of 1973, 29 U.S.C. 794, adopted almost 30 years after the APA. Responding to this claim, the First Circuit, sitting *en banc*, unanimously held that plaintiff's cause of action could not be found under the Rehabilitation Act because it "rarely makes sense to find that a substantive statute creates an 'implied private right of action'" (880 F.2d at 606) and because the plaintiff already had a claim under the APA. *Cousins* makes no reference to Section 12 of the APA and pointedly notes that "Congress did not intend the APA to limit review available elsewhere." *Id.* at 605. In other words, the First Circuit recognized that additional bases for review continued after the APA became law and that the APA was not intended to displace them.

Petitioner also asserts, without support, that there is "no reason to think that [Congress] intended to preserve, rather than to eliminate, deviations from the norm it was prescribing" for judicial review in Section 706(2). SG Br. 17. But that is exactly what Section 12 was designed to do when either of two conditions was met: (a) that the "additional requirements [were] imposed by statute or otherwise recognized by law"; or (b) that "subsequent legislation" which "supersede[d] or modif[ied] the provisions of this Act . . . [did so] expressly." Petitioner's argument would make both the first and second conditions in Section 12 a nullity.[8]

[8] Subsequent statutes frequently impose standards of review different from those specified in the APA—*e.g.*, substitution of "substantial evidence" review for informal rulemaking. 15 U.S.C. 2060(c) (Consumer Product Safety Act); 15 U.S.C. 57a(e)(3)(A) (FTC Trade Regulation Rules); 29 U.S.C. 655(f) (Occupational Safety and Health Act). Those more stringent provisions are not overridden by the APA even when inconsistent with it because they are "unquestionably an 'express' alteration" modifying the APA terms pursuant to the final sentence of Section 12 (as quoted p. 11). *Assn. of Data Processing Services Orgs. v. Board of Governors*, 745 F.2d 677, 686 (D.C. Cir. 1984) (Scalia, J.). But under petitioner's argument, such "deviant requirements" would not be saved by the terms of Section 12.

In its lengthy consideration of the APA, Congress made it clear that the APA was an asymmetrical reform measure designed to *increase* the rigor of agency processes and *maintain* close scrutiny of agency actions, not to *lower* either. See 92 Cong. Rec. 2163 (1946), reprinted in Staff of Senate Comm. on the Judiciary, *Administrative Procedure Act—Legislative History 1944-46*, 351 (1946) (*Legislative History*) (Congressman Walter: APA was designed to check the abuses which inevitably follow "unlimited power."). The judicial review standards in 706(2) "assume[d] that if the notice, hearings, and finding procedures are adopted as recommended they will obviate the reasons for change in the area and scope of judicial review." *Id.* at 2163, quoted in *Zurko*, 142 F.3d at 1451; see also *Final Report of the Attorney General's Comm. on Administrative Procedure*, S. Doc. No. 8, 77th Cong., 1st Sess. 92 (1941) ("the machinery which it has recommended in this report for administrative adjudications will inspire confidence and will obviate the reasons for change in the scope of judicial review").

There are few contemporaneous interpretations on the meaning of Section 12. It was not proposed by the *Attorney General's Committee Report*, appeared for the first time late in the Act's development, and did not warrant separate analysis in the U.S. Department of Justice, *Attorney General's Manual on the Administrative Procedure Act* (1947) ("*Attorney General's Manual*"). The most complete interpretation of the first sentence of section 12 appears in the appendix attached to the Attorney General's Statement regarding the APA (also attached as Appendix B to the *Attorney General's Manual*) where then Attorney General Tom Clark stated:

> The first sentence of section 12 is intended simply to indicate that the act will be interpreted as *supple-*

menting constitutional and legal requirements imposed by existing law. (*Attorney General's Manual* 139) (emphasis added).

Clark's statement is supported by the *Manual's* explanation that the APA's judicial review provisions "must be carefully coordinated with existing statutory provisions and case law." *Id.* 93. See also Panel Discussion, *Present At The Creation: Regulatory Reform Before 1946*, 38 Admin. L. Rev. 511, 529 (1986) (Professor Kenneth Culp Davis on the meaning of the first sentence of Section 12: "Note that in that one sentence Congress recognized three kinds of law—constitutional law, statutory law, and common law. Nothing in the APA cuts back protections provided by any one of three. . . . Section 559 means that the APA may not be interpreted to add to or to subtract from common law rights. That is what the words clearly say.").

C. The Federal Circuit's Holding That a More Stringent Pre-Existing Standard of Judicial Review Overrides A More Deferential APA Standard Is Not Contrary To Decisions Of This Court

Petitioner argues that the decision below is inconsistent with four decisions of this Court. SG Br. 13-18. In fact, none supports his argument.

Petitioner cites footnote 7 in *American Paper Inst. v. American Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983)—that "[i]n the absence of a specific command in PURPA [the agency's enabling statute] to employ a particular standard of review," the "standard prescribed in the Administrative Procedure Act for judicial review" governs—to argue that "[t]he absence of . . . specific standard does not . . . authorize a reviewing court to adopt whatever standard it deems appropriate under the circumstances." SG Br. 13. But the ruling in *American Paper* did not involve an interpretaton of Section 12 of the APA or consider in any way the interplay between the first sentence of Section 12 and the review standards specified in 706(2). It merely made the unexceptional point that in the absence of a more specific standard elsewhere, the APA is the default rule. See note 3 *supra*.

Citizens to Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402 (1971) similarly did not involve an application of an APA review standard where a more stringent pre-APA standard was imposed by statute or otherwise recognized in law. Its application of the APA's "arbitrary and capricious" test where a post-APA statute contains no standard of review again merely supports the conclusion that the APA is the default standard in the absence of anything more specific in an agency's organic act or elsewhere (or under Section 12 of the APA).

Petitioner's reliance upon *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-49 (1978), to argue that the Federal Circuit improperly exceeded the proper bounds of review, is similarly misplaced. He contends that *Vermont Yankee* prohibits "interference" with an agency "to a greater extent than specifically authorized by the APA (or by some other applicable statute)." SG Br. 17. But *Vermont Yankee* does not limit the application of recognized standards for judicial review; it bars only the imposition of additional *procedural* requirements beyond those specified in the APA or "otherwise recognized by law" at the time the APA was adopted. See *State Farm*, 463 U.S. at 50 (rejecting argument that a more stringent interpretation of the APA standard of judicial review was contrary to *Vermont Yankee* and noting that it is not "a talisman under which any agency decision is by definition unimpeachable"); see also S. Breyer, *Vermont Yankee and the Court's Role in the Nuclear Energy Controversy*, 91 Harv. L. Rev. 1833 (1978) (*Vermont Yankee* al-

lowed "more stringent scrutiny of [agency] decision by the reviewing courts").

Nor is *Steadman v. SEC*, 450 U.S. 91 (1981) to the contrary. There the Court held that the burden of persuasion standard in APA adjudications is met by a "preponderance of the evidence" because that is the meaning intended by Congress when it adopted the APA. The petitioner in *Steadman* had made no claim under Section 12 that a statute or other recognized law imposed any additional requirement. In addition, *Steadman* involved only the procedures the agency was to follow, not the standard of review a court is to apply when reviewing agency action. See also *Director, OFWCP v. Greenwich Collieries*, 512 U.S. 267, 272 & 275 (1994) ("emerging consensus on a definition of burden of proof" includes burden of persuasion because that was its "ordinary meaning . . . in 1946, the year the APA was enacted").[9]

[9] Two recent interpretations of the opening sentence of Section 12 of the APA further support the Federal Circuit's holding that it applies to the judicial review provisions in Section 10(e). First, in *United States v. Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995), the Fifth Circuit held that a section of the Endangered Species Act, 16 U.S.C. 1531, 1540(a)(1) (ESA), specifying a more restrictive record on judicial review of agency enforcement actions overrode the less restrictive provision in 706(2) as follows:

> Section 12 of the APA, however, states that none of its provisions "limit or repeal additional requirements imposed by statute or otherwise recognized by law." 5 U.S.C. § 559. Thus, while we agree with the government that the APA is generally applicable to ESA, nevertheless the ESA's provision that judicial review be "on the record made before the Secretary . . . considered as a whole," without anything comparable to the "or those parts of it" language of section 10(e) of the APA, precludes our reliance on that portion of section 10(e). (*Id.* at 1409, footnote omitted).

Second, in *United Transp. Union-Ill. Legislative Bd v. Interstate Commerce Commn.*, 52 F.3d 1074 (D.C. Cir. 1995), the court expressly recognized that the APA's generic authority could be displaced by a more restrictive requirement established under long-standing agency practice. That case involved issuance by the ICC of a declaratory order outside of formal adjudications in 5 U.S.C. 554(e) where such orders are expressly authorized by the APA. The appellant had argued that the APA's declaratory order process in 554(e) set the outer limits of what the agency could do, and that it therefore could not use the declaratory order process except in a formal adjudication. However, the District of Columbia Circuit rejected this argument because, *inter alia*, Section 12 of the APA provides that none of its provisions "limit . . . additional requirements . . . recognized by law." *Id.* at 1079 n.10.

III. THE FEDERAL CIRCUIT'S UNANIMOUS REAFFIRMATION OF THE "CLEARLY ERRONEOUS" STANDARD IS SUPPORTED BY OVER A CENTURY OF EXPERIENCE AND SOUND POLICY REASONS

Petitioner's speculations of possible adverse consequences from continuing the century-old standard for judicial review of PTO decisions (SG Br. 19-21) are contrary to all experience under the "clearly erroneous" standard, principles of *stare decisis* and the policies Congress recognized in establishing the Federal Circuit in 1982. S. Rep. No. 97-275 at 5 (1982), reprinted 1982 U.S.C.C.A.N. 11, 15, 97th Cong., 2d Sess. (Federal Circuit created and assigned exclusive jurisdiction to review patentability and related issues so as to "produce desirable uniformity" and increase "doctrinal stabilty").

The "clearly erroneous" test reflects the fact-based nature of patentability and invention priority issues, see, *e.g., Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (obviousness under 35 U.S.C. 103 dependent on "several basic factual inquiries"), and the specialized nature of the PTO process for issuing patents. Board proceedings, while adjudicative in nature because they apply patent law to grant or deny specific claims of the applicant, are conducted in *ex parte* hearings held without public notice (35 U.S.C. 122), do not permit oral testimony or cross-examination of adverse evidence (37 C.F.R. 1.133 &

1.195), and otherwise do not conform to the "closed record" procedures required in trial-type administrative adjudications. Neither patent examiners nor Board members are trained in record-creating and fact evaluation whereas such skills are required of independent administrative law judges. In addition, the Commissioner has unparalleled power to control who will participate in PTO Board decisions and thus to predetermine their findings. See *In re Alappat*, 33 F.3d 1526, 1536 (Fed. Cir. 1994) (*en banc*) (upholding Commissioner's power to add members to the Board on rehearing and thus "to control Board decisions through his authority to designate Board panels"); *id.* at 1535 n.10 ("Examiners-in-chief—[who serve as Board members] are appointed by the Secretary of Commerce upon nomination by the Commissioner. Thus, principles respecting the independence of judges or other concepts associated with the judicial process are not necessarily applicable to Board members."); compare 5 U.S.C. 3105, 5372, 7521 (assuring independence of ALJs from agency influence).

These distinctive fact-gathering procedures are justified by the technical and scientific issues that dominate the PTO and Board processes and the need to maintain secrecy in protecting the applicant's trade secrets if the application is denied. But the nature of that process also explains the less deferential review given PTO Board fact-finding, especially in light of the critical importance of accurate patentability decisions to applicants and the Nation's economy. Because fact-finding by the PTO Board is based solely on a paper record, the agency does not have a better view of the facts than the Federal Circuit. While the process of relying solely on a paper record is part of the justification for more demanding court review under the "clearly erroneous" test, that standard does not permit the court to substitute its judgment for the agency's regarding the facts to be found from the record. As with appellate review of trial court findings under the "clearly

erroneous" standard in F.R.C.P. 52(a), reversal of the Board's fact-finding requires a determination by the court not just that the evidence supports a different outcome but also that the court has a "definite and firm conviction that a mistake has been made." *In re Zurko*, 142 F.3d at 1449.

Finally, the patent system has been remarkably stable over time and the creation of the Federal Circuit has contributed to a more uniform interpretation of patent applications. Petitioner is unable to offer a convincing rationale for changing the standard of review of PTO fact-finding and for upsetting the equilibrium created by Congress and the courts between the PTO's modified fact-gathering procedures and the requirement of more intensive judicial review. No reasons to change the standard of appellate review were offered by the Commissioner to the lower court. See *Zurko*, 142 F.3d at 1458 ("While it is unclear what prejudice might befall patentees and patent applicants were the standard [of review of PTO fact-finding] to be changed, the Commissioner has made no suggestion that our current standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the patent system."). Congress established the dual system of review of Board decisions by authorizing applicants a right of review to the Federal Circuit either directly from the PTO or after appeal first to the District Court, 35 U.S.C. 141 & 145. Modification of the standard of review applied in direct appeals would mean that a different standard of review would be applied to such appeals (*i.e.*, the APA standard) as compared with appeals from the District Court (*i.e.*, "clearly erroneous" under F.R.C.P. 52(a)). Petitioner offers no justification for such an anomaly that would follow from its argument; and the Federal Circuit has repeatedly criticized that possible result. *Gechter v. Davidson*, 116 F.3d 1454, 1459 (Fed. Cir. 1997) ("From a practical, judicial policy standpoint . . . patentability (validity) issues such as anticipation,

whether decided by the Board or by district courts, should be viewed similarly."); *Fregeau*, 776 F.2d at 1038 (such a difference in standards should not depend on "the review route chosen"); see also *In re Lueders*, 111 F.3d 1569, 1577 & n.14 (Fed. Cir. 1997) (Congress ratified long-standing "practice of appellate courts reviewing the PTO's boards [fact-finding] without enhanced deference" in 1982 Act). Petitioner's contention that the decision below, if allowed to stand, might "unsettle the law" by inviting other courts to alter their review standard of agency fact-finding (SG Br. 21) is rank speculation without record support. In fact, it is the threat of petitioner's proposed change in the settled standard of review that has "unsettled" the patent bar in this case.[10]

CONCLUSION

Contrary to petitioner's claim, it is the Commissioner of Patents who has sought to "aggrandize" his power by forcing a change in the century-old standard for review of fact-finding by the PTO and Board. The *en banc* Federal Circuit, on the other hand, examined his claims with care and unanimously decided that settled law should be followed because the current standard was carried forward by the Administrative Procedure Act. If that standard is to be changed at this late date, it is a decision for Congress to make. Under the circumstances, the petition for a writ of certiorari should be denied.

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[10] That the oral argument below drew a "standing room" crowd (SB Br. 22 n.9) is irrelevant and not a "compelling reason" for concluding that this is a case of exceptional importance warranting review by this Court. S. Ct. R. 10.

Respectfully submitted,

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In the Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS AND TRADEMARKS,
PETITIONER

v.

MARY E. ZURKO, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

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In the Supreme Court of the United States

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MARY E. ZURKO, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

Respondents do not seriously contest the importance of the question presented, or its ripeness for review by this Court. They oppose review primarily on the ground that the court of appeals' decision is correct. For reasons stated below and in the petition, respondents' defense of the court's decision is unpersuasive. Even if the proper answer were less clear, however, review would be warranted in order for this Court to consider both the Federal Circuit's novel interpretation of the Administrative Procedure Act (APA) and the broader issues that that interpretation raises concerning the proper relationship between an expert administrative agency and its reviewing court.

1. Respondents acknowledge (Br. in Opp. 8 n.3) that the Patent and Trademark Office (PTO) is an "agency" covered by the APA, that the patent laws create "a comprehensive statutory scheme for determination of patent applications by [that] specialized agency," and that those laws do not specify any standard of judicial review different from the APA standards generally applicable to review of agency action

under 5 U.S.C. 706(2). They concede that, despite the facial applicability of those standards, the Federal Circuit has instead adopted a "more demanding" standard of review that involves "[c]lose examination of PTO fact-finding" and "meticulous review by [the] appellate court." Br. in Opp. 7-8. And, finally, they agree that proper administration of the patent system and the accuracy of patentability determinations are matters of "critical importance * * * to [patent] applicants and the Nation's economy." *Id.* at 8 n.3, 20.

Respondents thus do not contest that the question presented by this case is an important one. They do argue, in passing, that the question is not ripe for review in this case, on the ground that "there was no finding below that the Board's decision would be upheld [by] applying the APA standards in [Section] 706(2)." Br. in Opp. 7 n.2. They give no adequate reason, however, for dismissing (*ibid.*) the en-banc court's explicit statement (joined by all three members of the original panel) that it had granted review in this case precisely because it had "[c]onclud[ed] that the outcome of this appeal turns on the standard of review used by [the] court." Pet. App. 2a. The standard-of-review issue is not only squarely presented by the court's decision, but was plainly, in the court's view, dispositive in this case.[1]

2. Respondents argue primarily that the court of appeals correctly interpreted Section 12 of the original APA (ch. 324, 60 Stat. 244), now 5 U.S.C. 559, to permit "meticulous" appellate review of Board decisions, on the theory that such review is the continuation of an "additional requirement[]" that was "recognized by law" before the passage of the APA in 1946. See Br. in Opp. 8, 11. As the petition demonstrates

[1] Petitioner suggested initial en-banc review of the same issue in *In re MacDermid, Inc.*, 111 F.3d 890 (Fed. Cir. 1997). The court's order rejecting that suggestion and the panel opinion in this case were issued on the same day, and reading the two together (see Pet. App. 32a n.2) leaves no room for doubt that the en-banc court meant exactly what it said in this case concerning the dispositive nature of the issue here.

(at 14-19), however, neither respondents' historical premise nor their statutory argument is sound.

a. Respondents argue that "the 'clearly erroneous' standard has been the rule" for review of PTO decisions since 1894. Br. in Opp. 7-8. Even the court of appeals found the strong form of that argument "disingenuous," concluding only that "the common law recognized several standards prior to 1947, including clear error and its close cousins." Pet. App. 11a, 22a-23a; see also *id.* at 15a. Moreover, although we do not propose to debate at length the proper modern understanding of the standard-of-review language used in pre-APA cases, we note that respondents' historical argument is flawed even at its purported source in an opinion of this Court.[2]

Respondents argue that the standard of review now employed by the Federal Circuit descends from *Morgan* v. *Daniels*, 153 U.S. 120 (1894). *Morgan*, however, hardly supports the use of a non-deferential standard on APA review of a PTO determination concerning patentability. To the contrary, the *Morgan* Court stressed that the matter before it was "more than a mere appeal," involving instead "an application to the court to set aside the action of * * * the executive department[] * * * charged with the administration of the patent system" because of dispute over "a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises." *Id.* at 124. Under these circumstances, the Court noted, it "might well be argued" that the PTO's decision should be *final* as to

[2] As our argument here and in the petition (at 17 n.7) should make clear, we do not concede that the various verbal standards articulated in pre-APA cases "each * * * require[d] more rigorous review than is required by the APA" (Pet. App. 15a; see Br. in Opp. 9-10 & n.5). We do not seek this Court's resolution of that historical dispute; but it is useful to understand the weakness of respondents' appeal to history when evaluating the seriousness of the statutory error in this case.

matters of fact, "were it not for the terms of [the governing] statute." *Ibid.*

At the time, those statutory terms were that a dissatisfied applicant might "have remedy by [filing a] bill in equity," on which the district court might "adjudge that such applicant is entitled, according to law, to receive a patent * * *, as the facts in the case [might] appear." 153 U.S. at 121 (reporter's statement of the case); see also Pet. App. 13a. By the time the APA was enacted a half-century later, the law applicable to review of PTO decisions had changed: In 1925, Congress allowed applicants to choose whether to file a "bill in equity" or, instead, to seek review in the court of appeals. See *id.* at 14a-15a. That choice remains under present law, and it is the second option—now review in the Federal Circuit—rather than the first—an action in district court—that is at issue here. See Pet. 13 n.3; compare 35 U.S.C. 141 (appellate review) with 35 U.S.C. 145 (district court action, tracking language considered in *Morgan*). Thus, even if one could fairly separate the "carries thorough conviction" or "clear conviction" language of *Morgan*, 153 U.S. at 125, 129, from its context, and equate it with the term "clearly erroneous" as presently understood, there would be no reason to think that this Court intended that standard to apply to the type of judicial review at issue here. Appellate review on the administrative record was not authorized in patent cases until 1925, and is now governed by the terms of the APA.[3]

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[3] There is no more substance to the argument that reviewing courts consistently applied a "clear error" standard *after* enactment of the APA. As the court of appeals recognized, the Court of Customs and Patent Appeals (CCPA) merely "continued to review Patent Office decisions as it had done before 1947, without a clearly articulated standard of review." Pet. App. 18a. Indeed, it is interesting to compare the court's formal analysis of historical standards (*id.* at 11a-23a) with the somewhat pithier assessment of Judge Rich, speaking to a bar group about his experiences in many years on the CCPA and the Federal Circuit:

> In the CCPA, we were not reviewing trials, and Rule 52(a) was not applicable. Or if it was, we ignored it. Reviewing the PTO Boards, our attitude was we reversed them if they were wrong. In that regard, we did not act like the Circuit Courts of Appeal. We have been breaking that habit. * * * I also must say that I have great difficulty in determining the distinction between an alleged fact being wrong and being "clearly erroneous," and I seem to remember a learned colleague saying "It doesn't matter; if you want to upset the fact finding, you just have to use the magic words."

Rich, *Thirty Years of This Judging Business*, 14 AIPLA J. 139, 149 (1986).

b. Even if pre-APA courts had used a "clear error" standard in reviewing PTO decisions, that standard would have been superseded by the APA; it would not have been preserved, as respondents argue, as an "additional requirement[]" within the meaning of what is now 5 U.S.C. 559. One would not ordinarily think of a standard of judicial review as a "requirement": Unlike the information, rulemaking, and adjudication provisions at the core of the APA, see 5 U.S.C. 552-557, a standard of review does not obligate the agency (or a member of the public) to take any action or follow any particular procedure. Moreover, although respondents initially recognize that the word "additional" means "supplementary," and would typically refer to "added" obligations, in the context of judicial review they equate the statutory term to "more rigorous." Br. in Opp. 12-13 & n.7. As the petition explains (at 15-17), however, even if we assume that the applicable standard of judicial review is a "requirement[]" for purposes of Section 559, respondents' argument confuses "additional" requirements with *inconsistent* requirements. An "additional" requirement could, for example, presumably be "added" to a list of the "requirements" applicable to a given agency; but if such a list contained "judicial review under a 'substantial evidence' standard," then one could not simply append to it "and judicial

review for 'clear error.'" The substitution of one standard for the other does not come within the terms of Section 559.

Respondents argue (Br. in Opp. 14) that their counter-textual interpretation is required to prevent that provision from being rendered "a nullity." That is plainly incorrect. As our petition explains (at 15), at least two meaningful alternative constructions of "additional requirements" would comport with the statutory text. Likewise, there has never been any doubt that Congress may "supersede or modify" the APA's provisions through later legislation, subject to Section 559's rule of construction that such modifications should be recognized only if they are "express[]." 5 U.S.C. 559; see, *e.g.*, Pet. 15 n.5; compare Br. in Opp. 18 n.9, citing *United States* v. *Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995) (considering interaction of the APA and the later-enacted Endangered Species Act).

Respondents take issue (Br. in Opp. 13-16) with our contention that Congress intended the APA's specification of generally applicable standards of review to displace inconsistent standards that might previously have applied in particular circumstances. It is true that, in this regard, the Act was intended to "restate" the law of review, rather than to enact radical modifications. See, *e.g.*, U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act* 9, 107-108 (1947). By its nature, however, a "restatement" tends to elide any deviation from the norm; and when, as here, the restatement is statutory, its effect is to eliminate anomalies, not to preserve them. As the petition points out (at 17), although Congress specifically considered patent proceedings when it was drafting the APA, it did not except the PTO from the judicial review provisions of the Act; and those provisions do not authorize review for "clear error."[4]

[4] The Walter-Logan bill, an important precursor of the APA, "originally * * * provided that an order might be set aside if the findings of fact were clearly erroneous." 86 Cong. Rec. 13,676 (1940) (statement of Sen. King). As a primary proponent of the legislation explained:

> This language was criticized on the ground that it would permit courts to review the evidence and substitute their own independent views of the facts for the findings reached by the bureau. To meet this criticism the Committee on the Judiciary of the Senate has stricken the quoted words from the bill, for those sponsoring this legislation recognize that the administrative agencies are the primary fact-finding bodies.

Ibid.; see generally S. Rep. No. 752, 79th Cong., 1st Sess. 3-4, 6-7 (1945) (discussing history of Walter-Logan bill as precursor to APA).

3. As the petition explains (at 13-18), because the PTO is an agency subject to the APA, this Court's decisions make clear that the Federal Circuit must apply the standard of review specified by that Act, not some other standard that the court might select based on its own view of sound judicial, administrative or patent policy. Respondents concede (Br. in Opp. 16-17) the principle articulated by cases such as *American Paper Institute* v. *American Electric Power Service Corp.*, 461 U.S. 402 (1983), and *Citizens to Preserve Overton Park, Inc.* v. *Volpe*, 401 U.S. 402 (1971), that "in the absence of a more specific standard elsewhere, the APA [provides] the default" standard for judicial review; they seek to distinguish those cases only on the ground that PTO cases are governed by a non-statutory standard of review that was defined by the common law and then saved by Section 12 of the original APA. See Br. in Opp. 16-17. That distinction fails because, as we have shown, the inconsistent standard advocated by respondents and accepted by the Federal Circuit was not a clear feature of pre-APA law, and would not, in any event, have been preserved by Section 12.

Respondents seek to distinguish *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-549 (1978), which held that courts may not impose common-law procedural requirements to supple-

ment those imposed by statute, on the ground that it did not involve standards of judicial review. Br. in Opp. 17. But they offer no reason to distinguish non-statutory review standards from non-statutory procedural requirements in applying *Vermont Yankee*'s basic principle of judicial restraint. Finally, respondents dismiss *Steadman* v. *SEC*, 450 U.S. 91 (1981), which held that courts are not free to vary the preponderance-of-the-evidence standard of proof contemplated by the APA for use in administrative proceedings, on the ground that the petitioner in that case "had made no claim under Section 12 that a statute or other recognized law imposed any additional requirement." Br. in Opp. 18. In fact, the petitioner in *Steadman* did rely on Section 12 for the proposition that "the APA by its own terms left open the possibility that a standard of proof more demanding than a mere preponderance may be imposed by a court." 79-1266 Pet. Reply Br. 5. Although that claim was not precisely the same as respondents', there can be no doubt that the Court was aware of Section 12 when it held that there was no room for judicial definition of a proof standard where Congress had already spoken to that issue through the APA. See 450 U.S. at 95-96.

4. Respondents offer a number of policy arguments for the use of a non-APA standard of review. Br. in Opp. 19-22. Even if those arguments were relevant in the face of the clear terms of the APA, they would provide no persuasive justification for departing from the usual rules of APA review. While we agree that patentability determinations are complex, fact-intensive, and highly specialized, those considerations simply underscore why it is inappropriate for an appellate court to insist on engaging in more-rigorous-than-usual review of the factual determinations of a quint-essentially expert administrative agency. See Pet. 6 n.1, 18-19; cf. *Baltimore Gas & Elec. Co.* v. *Natural Resources Defense Council, Inc.*, 462 U.S. 87, 103 (1983) (when reviewing an agency's determination "within its area of special exper-

tise, at the frontiers of science[,] * * * a reviewing court must generally be at its most deferential"). Similarly, respondents' argument that the PTO "does not have a better view of the facts than the Federal Circuit" (Br. in Opp. 20) ignores both the nature of the factual questions often at issue—here, for example, what the prior art in the field of computer-program design would have suggested to "a person having ordinary skill in the art" (35 U.S.C. 103 (1994 & Supp. II 1996))—and the relative technical expertise of PTO examiners and federal judges.[5] Finally, there is nothing anomalous about the fact that on direct review in the court of appeals PTO factual findings are to be reviewed under the APA's "substantial evidence" standard, whereas if a disappointed patent applicant seeks de novo review in the district court under the special mechanism provided by Congress in 35 U.S.C. 145, that court's factual findings will later be reviewed, on appeal, under the "clear error" standard of Federal Rule of Civil Procedure 52(a).

Respondents scarcely mention the Federal Circuit's own primary "policy" rationale for its decision in this case: the insistence that the court remain free to review decisions by the Board of Patent Appeals on its own reasoning, rather

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[5] The Federal Circuit has exclusive or primary appellate jurisdiction over various matters (including not only patent cases but government contract cases, takings claims, federal employment controversies, and international trade cases, see 28 U.S.C. 1295), as well as internal revenue cases. Its judges are thus familiar with patent litigation but are not necessarily experts in patent law. They will seldom if ever have the sort of technical expertise that PTO's senior examiners are statutorily required to possess. See 35 U.S.C. 7(a); compare Pet. 18-19 & n.8 with *Atari, Inc.* v. *JS & A Group*, 747 F.2d 1422, 1436 (Fed. Cir. 1984) ("In specifying that the President nominate [Federal Circuit] judges 'from a broad range of qualified individuals' * * *, Congress sought in the statute itself to 'clearly send a message to the President that he should avoid undue specialization' in this court."), overruled in part on other grounds, *Nobelpharma AB* v. *Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.), cert. denied, No. 98-178 (Oct. 5, 1998).

than on the Board's. See Pet. App. 3a, 25a-27a. They do rely, however, on the court's "congressionally assigned responsibility for bringing uniformity to review of patentability issues," and on a supposed "equilibrium" between the PTO's internal procedures and "the requirement of more intensive judicial review" (Br. in Opp. 8, 21). Whatever the phraseology, as the petition points out (at 21-22), it is the fundamental choice between essentially deferential APA review, on the one hand, and the essentially non-deferential review preferred by the court of appeals (and by unsuccessful patent applicants such as respondents), on the other, that best explains the decision below, and that underscores the systemic importance of this case. Compare *United States* v. *Haggar Apparel Co.*, cert. granted, No. 97-2044 (Sept. 29, 1998) (involving a comparable systemic refusal by the Federal Circuit to apply normal standards of deferential review to customs regulations). Only this Court has the authority to correct the Federal Circuit's errant interpretation of the Administrative Procedure Act, and to restore the proper balance, struck by Congress in that Act, between that court and the expert administrative agency to which Congress has committed primary responsibility for the administration of the Nation's patent system.

* * * * *

For the foregoing reasons, and those set forth in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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No. 98-377

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

Bruce A. Lehman,
Commissioner of Patents and Trademarks,
Petitioner

v.

Mary E. Zurko, Thomas A. Casey, Jr., Morrie Gasser, Judith S. Hall, Clifford E. Kahn, Andrew H. Mason, Paul D. Sawyer, Leslie R. Kendall, and Steven P. Lipner
Respondents

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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Interests of the Amicus Curiae[1]

Amicus curiae Theis Research, Inc., holds interests in high technology voice and telecommunications patents. These do not involve the subject matter of the respondents' patent application. Theis Research is concerned for the interests of inventors of breakthrough technologies and the importance of the patent system to the Nation's economy.

So why would Theis Research side with the government in this case against parties who applied for a patent for their claimed invention? Because the Federal Circuit's lack of deference to the patentability determinations of the Patent and Trademark Office (PTO) has flooded the patent system with uncertainty—casting a chilling effect on the inventive community, investment, and the marketing of new technologies.

Theis Research recently petitioned this Court for certiorari in *Theis Research, Inc. v. Octel Communications Corp. et al.* (no. 97-1773, cert. denied June 26, 1998, rehearing denied August 12, 1998). The certiorari petition in *Theis Research* addressed the uncertainty and unpredictability infused into the patent system by the Federal Circuit's approach to patentability (patent validity) challenges asserted in patent infringement and declaratory judgment actions. The Federal Circuit refuses to accord deference to patentability determinations that have already been made by the PTO, holding those questions open for de novo litigation between private parties. Also, the Federal Circuit's standard for reviewing jury verdicts of patent invalidity for obviousness has devolved to a highly deferential "substantial

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[1] This brief is submitted with the consent of the parties. It was not authored, in whole or in part, by counsel for a party. No monetary contribution to its preparation or submission was made by any person or entity other than Theis Research, Inc., its counsel, and Law Practice Interests LLC, a non-equity investor in Theis Research.

evidence" test,[2] further eroding consistency from the patent system.

This case involves the rejection of a patent application by the PTO (Board of Patent Appeals and Interferences) on the ground of obviousness—the very same patent validity issue in the *Theis Research* case.[3] In this case, the Federal Circuit reversed under a searching clear error standard. The outcome of this case turned on the Federal Circuit's refusal to review the PTO's determination under the more deferential standards of the Administrative Procedure Act (APA)(5 U.S.C. § 706(2)(E) substantial evidence, 5 U.S.C. § 706(2)(A) arbitrary, capricious, abuse of discretion). Govt. cert. pet., app., 2a-3a.

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[2] As stated by the Federal Circuit in the *Theis Research* case (1997 West Law 697288): "TRI's arguments do not overcome its heavy burden of demonstrating that there is no substantial evidence from which a reasonable jury could conclude that the claimed invention would have been obvious from the prior art." *Theis Research* cert. pet. appendices at A-7.

See also U.S. Surgical Corp. v. Ethicon, Inc., 103 F.3d 1554, 1559 (Fed. Cir. 1997)(whether "there was substantial evidence whereby a reasonable jury could have reached the verdict reached by this jury"; "that minimum quantum of evidence from which a jury might reasonably afford relief").

The substantial evidence test does not even consider any contrary determination by the PTO—the test only considers whether the evidence that supports the verdict of invalidity is "substantial."

[3] Under 35 U.S.C. § 103(a), the PTO does not issue a patent for any claimed invention it determines to have been "obvious." The "obviousness" test compares the claimed invention with the "prior art" (generally, the public or unprotected information available at the time of the invention) and asks whether the invention as a whole would have been obvious to a person having ordinary skill in the subject matter.

The *Theis Research* rehearing petition addressed the paradox that permeates the entire patent system as a result of the Federal Circuit's refusal in this case to apply to PTO determinations the highly deferential "substantial evidence" standard of review that it accords to jury verdicts of invalidity (as in the *Theis Research* case). Thus, for highly technical and legally complex determinations of patentability, the Federal Circuit gives the most deference to those least knowledgeable (juries) and the least—or *no*—deference to those most knowledgeable (the PTO). Though disappointed that the Court did not grant certiorari in *its* case, Theis Research urges the Court to address in this case the upside-down jurisprudence of the Federal Circuit.

Specifically, Theis Research respectfully requests that the Court grant review of this case and address the larger picture—providing guidance on appropriate judicial deference to PTO administrative determinations that also has application in patent infringement and declaratory judgment actions.

Argument Supporting Certiorari

The Federal Circuit's refusal to follow the judicial review standards of the APA when reviewing administrative determinations of patentability by the PTO, and its resistance to apply in the context of patent law the doctrine set forth by this Court in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), are anomalous and without justification.[4] *See* Craig Allen Nard, *Deference, Defiance, and*

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[4] To reach its conclusion that the judicial review standards of the APA do not apply to its review of the PTO's administrative determinations concerning patentability, the Federal Circuit employed a perplexing interpretation of the legislative history of the APA. An

the Useful Arts, 56 Ohio St. L.J. 1415 (1995).

There is no better time to review the issue presented by this case. There is no reason to expect that at any time in the foreseeable future another Court of Appeals decision will reconsider the refusal to apply APA standards to judicial review of patentability determinations. First, the Federal Circuit has exclusive appellate jurisdiction in patent cases. 28 U.S.C. § 1295(a)(4). Second, this case was decided by the Federal Circuit en banc and without dissent. Third, and most telling, the Federal Circuit issued an expansive assertion of its own authority in derogation of the statutory role of the PTO.

The demarcation of authority between the Federal Circuit and the PTO should be decided by this Court. Does the *Chevron* doctrine apply to administrative determinations of patentability? The technical and scientific complexities that frequently determine patentability make it hard to contemplate a program better suited to administrative expertise. By insisting on reviewing patentability according to its "own reasoning" instead of deferring to the reasoning of PTO patent examiners, however, the Federal Circuit has set itself up as a super examiner. *See* govt. cert. pet., app., 3a, 25a. Such an allocation

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early version of the APA legislation contained an express exclusion as to the (then) Patent Office. Govt. cert. pet., app., 7a. This exclusion was removed before the final version of the APA was enacted. Instead of making the customary interpretation that the exclusion should not be inferred after it has been explicitly omitted by Congress from the final version of the legislation, the Federal Circuit cited the prior existence of this exclusion in the early version of the legislation as reason to imply an exclusion of the Patent (and Trademark) Office from the reach of the APA standard of review. Govt. cert. pet., app., 8a-9a. To summarize the Federal Circuit's "logical" construct: if not A, then A.

of administrative and judicial responsibilities is worse than duplicative, it fails to recognize the appropriate role and expertise of each branch.

In both appeals from patent application denials and infringement/declaratory judgment actions, the Federal Circuit's lack of deference to PTO determinations invites litigation. An unsuccessful patent applicant is encouraged to ignore the reasoning of the administrative finding and litigate an appeal. A successful patent applicant is often in a worse position. Others are encouraged to litigate the validity of the patent by the same knowledge that the administrative finding will be ignored. (Notwithstanding the statutory presumption of the validity of an issued patent, exceedingly complex patentability questions are tried to juries de novo based on private expert witness testimony without any appearance by—let alone deference to—the PTO.)[5]

The common thread in both types of cases is the Federal Circuit's misguided view that the patentability/validity determinations already made by the PTO should be redone—by a jury (the *Theis Research* case) or, if a jury is not available to be saddled with this task, by the Federal Circuit itself (this case). Either way, the Federal Circuit invites litigation to reopen the questions. The determinations of the PTO—both as to patents issued and applications denied—have become meaningless.

In its en banc decision in this case, the Federal Circuit erroneously anticipates that its approach "will preserve the confidence of inventors who have relied on this standard in

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[5] The Federal Circuit's misapplications of standards of review is all the more dismaying given the statutory prescription that an issued patent carries a presumption of validity; no such presumption applies where a patent has not been issued. *See* 35 U.S.C. § 282.

prosecuting their patents. It will also promote consistency between our review of the patentability decisions of the board and the district courts in infringement litigation." Govt. cert. pet., app., 26a. As noted, a patent applicant who is successful before the PTO has no reason for confidence in an administrative decision that commands little respect from the Federal Circuit. Moreover, the Federal Circuit's frequent application of a highly deferential "substantial evidence" test to jury verdicts of patent invalidity belies the suggestion that the Federal Circuit would actually "promote consistency" by redoing the PTO's work when reviewing appeals from application denials.

Instead, the lack of deference to PTO patentability determinations has had the opposite effect—stripping reliability and predictability from the patent system. If PTO patentability determinations are not to be taken seriously, we may as well not have a patent system at all—just de novo litigation of "priority of invention" claims. Such a decision should be made by Congress, not the Federal Circuit.

Conclusion

Theis Research, Inc., as amicus curiae, respectfully requests that the Court grant the government's petition for a writ of certiorari and, in deciding this case on the merits, provide guidance on appropriate judicial deference to PTO administrative determinations that has application in patent infringement and declaratory judgment actions as well as in appeals from patent application denials.

Respectfully submitted,

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In the Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS
AND TRADEMARKS, PETITIONER

v.

MARY E. ZURKO, ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

JOINT APPENDIX

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PETITION FOR WRIT OF CERTIORARI FILED: AUGUST 31, 1998
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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Docket No. No. 96-1258

IN RE MARY E. ZURKO, ET AL.

RELEVANT DOCKET ENTRIES*

DATE	PROCEEDINGS
2/1/96	Notice of appeal filed.
	* * * * *
11/13/96	Oral argument before panel.
	* * * * *
4/15/97	Opinion and judgment: Reversed.
	* * * * *
7/3/97	Suggestion for rehearing en banc granted.
	* * * * *
12/2/97	Oral argument before court in banc.

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* Entries edited for clarity.

5/4/98	Opinion and judgment: Reversed.
	* * * * *
9/10/98	Received notice that petition for writ of certiorari filed with Supreme Court, 8/31/98.

UNITED STATES DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

IN RE PATENT APPLICATION NO. 07/479,666

RELEVANT DOCKET ENTRIES*

DATE	PROCEEDINGS
2/13/90	Application filed.
	* * * * *
5/2/91	Preliminary Amendment and Supplemental Information Disclosure Statement received.
	* * * * *
3/18/92	Initial rejection (revised).
	* * * * *
6/23/92	Response to Office Action of March 18, 1992 (including second amendment) received.
9/8/92	Final rejection.

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* Entries edited for clarity.

12/1/92	Notice of appeal.
	* * * * *
7/31/95	Decision by Board of Patent Appeals and Interferences: Affirmed.
	* * * * *
12/1/95	Reconsideration denied.
2/1/96	Notice of appeal to United States Court of Appeals for the Federal Circuit.
	* * * * *

PD90-0141
DIGU:012/TOE

METHOD FOR EXECUTING TRUSTED-PATH COMMANDS

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1. BACKGROUND OF THE INVENTION

1.1 Introduction

This invention relates to a method for improving security in a computer system. More specifically, this invention concerns a method for implementing trusted commands through both trusted and untrusted code.

1.2. Background

The proliferation of computers has resulted in the need for reliable computer security systems. The need to protect certain information is great in areas dealing with national security, for example. Security measures are required in other fields, including areas which utilize financial, medical, and personal information. Many computerized information systems therefore include internal security measures which provide the users with different levels of access to the computerized information, and which attempt to provide at least a degree of protection of the information from undesirable access.

1.3. Security Criteria: Reference Validation Systems

In response to the need for secure computer systems, the Department of Defense has issued a publication titled Department of Defense Trusted Computer System Evaluation Criteria (reference No. DOD 5200.28-STD). This publication is sometimes referred to as the "Orange Book," and is available from the Department of Defense. The Orange Book describes

system security objectives and evaluation criteria for secure computer systems.

A "secure" computer system generally includes some type of "reference validation" system. These reference validation systems (known as reference monitors) are responsible for enforcing the security rules (security policy) for a given computer system.

Reference monitors mediate all access to "objects" by "subjects". Objects are passive entities that contain or receive information. Access to an object implies access to the information that it contains. Subjects are active entities, generally in the form of a person, process or device that cause information to flow among objects or change the system state. A subject may ordinarily reference its own, subject-internal information without the involvement of the reference monitor. Reference monitors controlling such access to objects by subjects are known in the art, and may utilize a security kernel approach.

Proper implementation of a reference monitor calls for adherence to three principles:

(1) completeness, in that all access by subjects to objects or other subjects must involve the monitor;

(2) isolation, in that the monitor must be protected from tampering; and

(3) verifiability, in that correspondence must be shown between the security policy and the actual implementation of the monitor.

As discussed, every reference to information or change of authorization should go through the reference monitor. Thus, all commands issued by a user or other subject are monitored by the reference monitor. This approach is particularly useful in multiuser computer environments.

The totality of the protection mechanisms within a computer system—including hardware, software, and firmware, the combination of which is responsible for enforcing a security policy—is commonly known as a "trusted computing base" (TCB). If the trusted software is designed to be as simple as possible, for the sake of verifying the reference monitor, then the trusted software is known as a "security kernel".

Generally, TCBs attempt to meet the control objectives set out in the Orange Book. Compliance with these objectives inspires user confidence, and increases the overall desirability of a computer system. These objectives deal with:

(1) security policy;

(2) accountability; and

(3) assurance.

The security policy objective entails enforcement by the TCB of the desired security rules. These security rules are designed to limit the access to and dissemination of information in a precisely defined manner.

Security policies may include provisions for the enforcement of both mandatory and discretionary access

control rules. Mandatory access control rules control access based directly on comparisons of the user's security level and the sensitivity level of the information being sought. Discretionary access rules control and limit access to identified individuals who have been determined to have a need-to-know.

These access control rules call for associating with each user identification code a statement indicating the user's access rights. This statement often includes information representing the user's security level (for mandatory control purposes), and membership in groups (for discretionary control purposes).

The accountability objective calls for providing each user with an individual user identification code (often called a "user name") and for the TCB to be able to recognize the code and ensure that it is being used by its proper user. This may be done by checking the user's password. This ensuring the user's identity is known as "authentication."

In addition, the accountability requirement calls for the existence of auditing capabilities. Such capabilities allow for the auditing of actions which can cause access to, generation of, or release of classified or sensitive information.

1.4 Assurance Objectives and "Trusted" Systems

The assurance objective is especially important in the present context. That objective is concerned with taking steps to ensure that the security policy is correctly implemented and that the TCB accurately mediates and enforces the intent of that policy. Steps may be taken to insure that each portion of the TCB is assured. To accomplish this objective, two types of assurance are needed.

The first type of assurance is life-cycle assurance. This type of assurance refers to steps taken to ensure that the computer system is designed, developed, and maintained using formalized and rigorous control standards.

The second type of assurance is operational assurance. Operational assurance deals with the features and system architecture used to ensure that the security policy is uncircumventably enforced during system operation. All of the software (sometimes referred to informally in the art as "code") in the TCB is generally analyzed to determine the assurance level of the system.

As the amount of code in the TCB increases, it becomes more difficult to ensure that the TCB accurately enforces the security policy. Because of this, it is desirable to minimize the amount of trusted code, and thus the complexity of the TCB.

A TCB is usually operated with a substantial amount of software, such as text editors and other applications, operating within the security policy of the TCB.

Generally, this untrusted software asks the TCB for access to objects when the user or the untrusted software requires them. Thus, the majority of user's requests to the TCB, and the majority of the information that a user obtains from the TCB, are handled through the agency of untrusted software.

This untrusted software, however, is by nature in danger of compromise and vulnerable to bugs. For some types of requests and displays, malicious or malfunctioning untrusted software could compromise the enforcement of the security policy. Generally, TCBs cannot distinguish between requests faithfully made by the untrusted software on command from a user and either requests made by the untrusted software at its own initiative or requests that misrepresent the user's actual command. For example, if commands issued by an authorized user to change certain users' security levels were made through the agency of untrusted software, it would be possible for malicious or malfunctioning untrusted software to inappropriately raise the security level of a user. Such inappropriate raising of a security level could result in the disclosure of sensitive information.

Furthermore, TCBs generally cannot ensure that displays made by untrusted software are faithful. This poses problems in that if displays of audit records were made through the use of untrusted software it would be possible for malicious untrusted software to misrepresent these audit record to hide suspicious activities.

To overcome these problems, prior-art systems have developed a concept known as a "trusted path." A trusted path is a mechanism by which the user can

communicate directly with the TCB. A trusted path may only be activated by the user or the TCB and cannot be imitated by untrusted code. Such a trusted path is a positive TCB-to-user connection that bypasses all untrusted software. The Orange Book requires a trusted path for all systems to have a security rank of B2 or above.

A "trusted command" (also known as a trusted-path command) is a command which requires a trusted path between the user and the TCB for execution. The specific security policy of a computer system will determine which commands are defined as trusted commands. For example, commands relating to changes of the security levels of users would be trusted commands.

1.5 Parsers as Increasers of System Complexity

Because of perceived performance problems, prior-art computer systems often included code to implement certain functions in the TCB. One such function comprises a portion of code known as the "parser."

The parser performs the basic interpretation of user commands by translating a human-readable representation of a user command (e.g., a command typed by a user at a keyboard) into a machine-readable representation known as the binary representation, or the parsed command. A user command may consist of a group of words, typed by the user, specifying some action to be taken. The user command may also specify one or more variations or options of that action.

For the convenience of the user, most parsers allow these option words to be typed in any order without changing the meaning of the user command. Also, most parsers allow the user to type the words in either full or abbreviated form. In some instances, several possible abbreviations exist. Further, in most parsers, the user may vary the spacing between the words without changing the meaning of the command. Some parsers also check user commands for proper syntax, and report errors to the user prior to execution of the command. Other parsers prompt the user for missing information, avoiding the need to completely retype an incomplete command.

Thus, several different inputted human-readable representations may be associated with each unique parsed command. It is the job of the parser to translate accurately these inputted representations of user commands (which may vary with each user) into specific parsed command representations. Due to the complex nature of parsing, large amounts of computer code are generally associated with this activity.

Prior-art trusted software systems have included the parser for trusted commands, and thus the associated code, within the TCB. In these systems every trusted command was parsed and executed exclusively by trusted code. The inclusion of the parsing code in the TCB was regarded as necessary for proper system operation.

As discussed above, however, the ease and degree of assuring a system is roughly inversely proportional to the complexity of the system's TCB. Thus, the inclusion of the parser in the TCB results in more

complex assurance analysis and a corresponding decrease in system confidence. Prior art devices (since they needed to be small and simple to support assurance) have thereby inherently constrained the user-friendliness of computer systems.

2. SUMMARY OF THE INVENTION

The present invention provides a number of advantages over the prior art. By reducing the complexity of the TCB, the amount of trusted code that must be verified or assured is reduced. In addition, the general usability of the system is increased, because the improved method of processing trusted commands allows for the implementation of added computing functions at little or no additional cost in TCB assurance.

The present invention includes an improved method for the execution of trusted commands. In this improved method, the required steps for processing a trusted command are split between trusted and untrusted code. In this manner the amount of trusted code in the TCB may be significantly reduced.

As discussed above, the parsing of a command can be comparatively difficult, and often requires large amounts of complex code. However, it is relatively simple to translate the parsed representation of a command into a standard human-readable representation for display to the user. This is in part because a single, standard human-readable display representation may be associated with each parsed representation. The present invention takes advantage of this fact by

parsing the trusted commands in untrusted code prior to execution in the TCB.

In general, the present invention includes a computer system which includes a TCB operating as a reference monitor. Included in the TCB is the security-relevant code necessary for the actual execution of a trusted command.

Associated with the TCB are one or more untrusted subjects (e.g. processes). Each such subject has particular access rights, which may include a security level. These untrusted subjects communicate only with the involvement of the TCB. The TCB allows communication only as permitted by the system's security policy. Each untrusted subject is substantially independent.

In each of these untrusted subjects, untrusted software is generally run. This untrusted software may include an untrusted operating system (UOS), and generally includes applications such as test editors. In the present invention, the untrusted code includes the non-security relevant functions necessary for the execution of a trusted command.

Attached to the computer system are several user terminals. These user terminals allow the user to exchange information with the computer system. All terminal activity is seen first by the TCB. A secure-attention key is dedicated for use on each terminal attached to the computer system. The TCB is designed to recognize and trap this key signal. Activation of this key by the user establishes a trusted path between the

user terminal and the TCB. Alternate methods for establishing a trusted part may be utilized.

The TCB is generally provided with a limited number of "direct" user commands (direct commands). Because of this, the majority of the user's activities will take place in the untrusted operating system.

While operating in the UOS, the user may attempt to execute a trusted command. When one of these commands is issued by the user, the untrusted code in the UOS checks the syntax of the command and may prompt for missing parameters; then the untrusted parser converts the command into a parsed representation that will be referred to here for convenience as the "binary representation." In some instances, command procedures and application-issued trusted commands will also be parsed and translated into a binary representation.

This binary representation is then passed from the UOS to the TCB. The TCB initially associates the binary representation with a physical terminal, and copies the binary representation into a memory buffer assigned to that terminal.

Once this has been completed, the untrusted code in the UOS may prompt the user to activate the secure-attention key. If this key is activated, a trusted path will be established between the user terminal and the TCB. Alternate methods may be employed to initiate this trusted path. A randomly generated process ID, which may be generated at login, may be utilized to prevent untrusted code from simulating a trusted path.

Subsequent activity by the TCB depends on the type of command that is represented by the representation. If the command is one that will not modify any information, i.e., a request to view information, the TCB verifies that the user has the necessary access rights, and attempts to execute the binary representation. A human-readable standard representation of the binary command received by the TCB is displayed along with the information.

In most instances, if the command requested by the user requests modification of information, the TCB displays for confirmation a standard human-readable form of the command, along with an indication of what the result of command execution will be. The user is then requested to confirm (by typing a response via the trusted path) that the displayed command was received correctly and should be executed.

This confirmation allows the user to ensure that untrusted code has not performed an unauthorized modification of the user's original command. Also, confirmation allows for the detection by the user of any errors that may have occurred during the parsing process. In situations where the binary representation represents a command procedure or an application-issued trusted command, the confirmation ensures that the command proposed by the untrusted software is acceptable to the user.

If the command is confirmed by the user, the TCB checks to ensure that the user has the necessary access rights to execute the command and, if so, attempts to execute the command.

A distinct advantage of the present invention arises from the fact that the execution of a trusted command is split between trusted code and untrusted code. The actual parsing of the command occurs in untrusted code. The trusted code included in the TCB checks the parsed command of correctness and displays it to the user in human readable form. This checking and display of a parsed command requires substantially less code than is required to parse a command.

Thus, since the command parser is included in the untrusted code, the amount of trusted code in the TCB is minimized. This lowers the difficulty of trusted system assurance, and increases the amount of confidence that may be placed in a system.

It is a further advantage of this invention that the user interface is separate from the underlying functions performed by the TCB. This allows for implementation of alternate UOS-to-user interfaces without major modification of the TCB. Further, the amount of time and effort to develop such a command interface is reduced. A still further advantage is that more useability features may be provided without substantially increasing the complexity of the TCB. Examples of such useability features are command line editing and recall.

3. BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 illustrates the various levels within a computer system;

Figure 2 illustrates various layers within the trusted computing base;

Figure 3 illustrates a trusted path;

Figures 4A and 4B are flow diagrams representing a method for processing trusted commands. Differences in box representation in these drawings is explained below.

Figure 5 illustrates one method of implementing the invention;

Figure 6 is a flow diagram representing a method for verifying a trusted path;

Figure 7 is a state transition diagram of a further embodiment utilizing various command states.

4. DESCRIPTION OF SPECIFIC EMBODIMENTS

A specific embodiment of the present invention is described with respect to a computer which supports various user processes and may operate in a multiuser environment. As an illustration, an implementation in connection with a VAX model computer, available from Digital Equipment Corporation (DEC), is briefly described. It should be understood that the present invention may be readily applied to various types of computer systems including PC networks, stand-alone multiuser computer systems, or single user computer systems, to name a few examples.

4.1 Overview of Software Architecture

FIG.1 illustrates a preferred computing environment which is generally designated by the reference numeral 2. A trusted computing base (TCB) 10 resides at the center of the computer system. The TCB 10 acts as a reference monitor in that access to information is mediated by the TCB 10.

In a general embodiment of the invention, the TCB 10 may be a secure kernel residing under the general operating system of a computer system. In one embodiment, the TCB 10 comprises trusted code residing underneath a VMS or Ultrix system.

The TCB 10 enforces a security policy which identifies permissible modes of access between users or computer processes (subjects) and files, memory segments or other objects. Access to stored information is mediated by the TCB 10, so that the TCB 10 may

determine whether a particular user or untrusted subject can access particular information. In order for the TCB 10 to fulfill its protective function, it must take into account the three requirements discussed above: (1) completeness, (2) isolation, and (3) verifiability.

A more complete understanding of the TCB 10 may be obtained by reference to FIG.2. As is illustrated, the TCB 10 may comprise several distinct layers. Each layer of the TCB 10 comprises trusted code. This trusted status is indicated by the security boundary 11. In one embodiment, layers of particular interest are layers to be referred to as: secure server (SSVR) 12, Command Conveyor (CC) 14, and VTerm (VT) 16.

The TCB 10 includes the trusted code necessary to ensure compliance with the Orange Book requirements. In alternate embodiments, the trusted code may ensure compliance with different systems of security requirements. The TCB 10 also includes the code which actually executes the requested trusted command, as discussed below.

Each untrusted subject is generally supported by an untrusted process. This process may spend time in one of two "modes." The first mode, in which the process usually runs, is known as a "user mode." This mode is a restricted hardware state such as the VAX user mode that is known in the art. This process may also spend time executing trusted code in an all-powerful hardware state. This state is represented by the VAX "kernel mode", which is known in the art. This state may be triggered by a request by the untrusted subject of the security kernel. Such a request may be made in a conventional manner and is commonly called a "kernel

call." This mode may also be triggered by asynchronous events (e.g. the completion of an Input/Output request previously made by the untrusted subject).

In one embodiment, the TCB 10 also has one process associated with each terminal that communicates with the user over the trusted path. This process is known in the art as an "execution thread." In this embodiment, each execution thread shares its address space with other TCB execution threads. An advantage of such sharing is economy of machine resources. Full-blown processes, each with its own address space, would require far more machine resources than if such address space sharing is employed.

It is the CC 14 which provides the interprocess communication for passing parsed commands between the processes that support the untrusted subjects, and the processes within the TCB 10 that support the trusted path.

The untrusted code may submit to the TCB 10 the parsed representation of the trusted command by making a kernel call. The kernel call causes the process supporting the untrusted subject to switch to the all-powerful hardware state and to begin to execute trusted code designed to handle kernel calls. This trusted code recognizes the nature of the kernel call and calls the CC 14. The CC 14 then obtains and copies the binary representation of the trusted command into protected memory and puts it in a global data structure that supports the user process associated with the terminal in question.

The VT 16 layer includes the trusted code which monitors all terminal activity and checks for activation of the secure-attention key. In one particular embodiment, the VT 16 layer also includes code which tracks which physical terminal is associated with a particular user or untrusted subject.

The specific manner of implementation of the above described activities will be apparent to one skilled in the art having the benefit of this disclosure.

Referring to FIGS 1 and 3, "around" the TCB 10 is a general untrusted operating system (UOS) 20. The UOS 20 generally comprises untrusted code and may include a traditional operating system such as Ultrix or VMS. Alternate constructions are envisioned where the UOS 20 includes any untrusted code. It will be appreciated that the system may include untrusted code that is separate from TCB 10 and UOS 20.

Most user activity will occur in the UOS 20. In one embodiment, a specific UOS 20 may run in each untrusted subject.

4.2 User Terminals and the Secure-Attention Key

Associated with the computer system are one or more user terminals 30. These terminals 30 may be conventional in construction, in that they allow the user to exchange information with the computer system. Either "intelligent" or "dumb" terminals may be used. Examples of such dumb terminals are the well-known VT series 200 and 300 terminals. These terminals are available from Digital Equipment Corporation or its authorized dealers.

A particularly useful terminal includes control programming that is designed with security features in mind, such as is described in a co-pending U.S. patent application entitled "Method for Securing Terminal and Terminal Apparatus for Use with the Method," Serial No. 456,672, filed by Wei-Ming Hu, Clifford E. Kahn, Andrew H. Mason, and Peter A. Sichel on December 26, 1989 and to be commonly assigned with this application.

A keyboard is attached to each user terminal. Each keyboard includes a key employed as a secure-attention key. This key is utilized to establish a trusted path between a user terminal and the TCB 10. In one embodiment, the secure-attention key is an "out-of-band key" for the UOS 20. It is desirable that the signal sent by the terminal upon activation of the secure-attention key is generally not utilized by the applications running in the UOS 20. An out-of-band key is convenient since it does not restrict the traditional number of user keys and the signal is sent immediately, even if other I/O is pending. For example, the secure-attention key may be the BREAK key on the terminal keyboard.

In many terminals (such as the VT 2XX and VT 3XX families) locking of the keyboard prevents the transmission of several key signals. In these terminals, however, the BREAK key signal may be transmitted, even from a locked keyboard. Thus it is generally desirable to employ the BREAK key as the secure-attention key. Also, the signal generated by activation of the BREAK key comes in ahead of other characters in the keyboard buffer. A further advantage of utilizing the BREAK key is that software running in the UOS 20 cannot get the terminal to send that character.

4.3 The Trusted Path and Direct Commands

The TCB 10 generally operates as a reference monitor.

Upon initial login or at other times when the user is not connected to a process in the UOS 20 (e.g., an application program), the TCB 10 responds to a comparatively limited series of "direct commands," which may include a CONNECT command to connect to an untrusted subject. When the user is connected to such an untrusted subject, the TCB 10 checks for the secure-attention signal; if a signal other than the secure-attention signal is received, the TCB 10 passes the signal to the connected untrusted subject.

As discussed above, in one specific embodiment the trusted code in the VT layer 16 monitors all terminal activity. When the code in the VT 16 notices that the BREAK key has been depressed, the SSVR is signaled in a conventional manner (such as by advancing an event count or activating a flag). Code in the SSVR 12 recognizes this signaling and establishes a trusted path between the user terminal and itself. In this manner, the secure-attention key signal is trapped by the TCB 10.

In certain security environments, general security requirements mandate that the TCB 10 makes displays when a trusted path is established and exited by the user. In one embodiment, when a trusted path is established, the TCB 10 sends a reset command sequence to the physical user terminal 30 to assure that it is in a known state. This is done in part to ensure that the information displayed to the user by the TCB 10 is in

the intended form, (e.g., correct font). A particularly useful sequence of commands to implement the reset command sequence is described in the aforementioned copending U.S. patent application by Hu et at.

When the secure-attention key is activated, other than in connection with the issuance of a trusted command, the secure server 12 displays a particular banner and prompt (for example: "SSVR" together with the user's process identifier, discussed below), to indicate that the user is conversing interactively with trusted code. If the secure-attention key was activated in connection with the issuance of a trusted command, the secure server 12 displays to the user some indication of what is to be done, as discussed below.

When command execution is complete, or when the user establishes or reactivates a session with the UOS 20, the TCB 10 issues a message to inform the user that he/she is breaking the trusted path. When a session with the TCB is complete, the memory in the physical terminal may be cleared by the TCB. This is done to protect trusted information from both untrusted code and unclassified persons who may later use the terminal. A particularly advantageous method of clearing the terminal memory is described in the aforementioned co-pending patent application.

The number of direct user commands available from the TCB 10 is preferably limited to reduce the complexity of the TCB 10. Generally, a command is direct if:

a. one needs the command when one is not connected to an untrusted subject;

b. end users depend on the command's correct behavior for security (e.g., LOGOUT); or

c. the command must be issued when no user process in the UOS 20 is running.

In most cases, the user will converse with the TCB 10 through the SSVR 12. In one embodiment the user conversing with the SSVR 12 may be restricted to commands which allow him/her to establish (connect) or end (disconnect) a computing session in the general UOS 20. Further commands may be added, such as allowing the user to view the existing UOS 20 session or change his or her password, but it is generally desirable to limit the number of available commands in the TCB 10. It is further desirable to ensure simplicity in the syntax of these direct commands.

The simple syntax of the direct commands, and the comparatively small amounts of code necessary to interpret these commands, do not substantially increase the complexity of the TCB 10.

4.4 Login Processing by the TCB

To initiate a computing session in the illustrative UOS 20, the user may first login to the computing environment through the SSVR 12. To initiate a login, the user activates the secure-attention key (or performs some other action to gain the attention of the SSVR 12). As discussed above, this establishes a trusted path between the user terminal and the TCB 10. Alternate embodiments are envisioned wherein other methods are employed to establish a trusted path.

Once a trusted path has been established, the SSVR 12 prompts the user for his/her specific user name and password. The various layers in the TCB 10 perform well-known security checks to ensure that the user has the necessary access rights to login at the terminal. If the user possesses the required access rights, a computing session is established in the SSVR 12.

At this time, the user's security information is stored by the TCB 10. The TCB 10 also stores in memory a unique identifier of the user process. This information is maintained in memory by the TCB 10 as long as the user has an active session.

4.5 Connection to Untrusted Process

Because the number of director user commands in the TCB 10 is preferably limited, the user will generally choose to establish a computing session with an untrusted subject. Such an untrusted subject may include application programs residing in the UOS 20.

In one specific embodiment, when the user establishes a computing session in the UOS 20, the user's physical terminal 30 is associated with a virtual terminal of the UOS. The user converses with the untrusted subject through a computing session within the UOS 20. When such a connection with an untrusted subject is made, the VT layer 16 of the TCB 10 stores in memory which physical terminal 30 is associated with which virtual terminal in an untrusted subject. In this manner, trusted commands received from an untrusted subject may be attributed to the actual user at the physical terminal 30. Once the user has established a

computing session within the UOS 20, normal computing activities may be carried out.

A more detailed understanding of these activities may be obtained through reference to FIG.4A and 4B. Activities indicated by heavily bordered blocks are performed by the TCB 10, or trusted code. Activities represented by lightly bordered blocks are performed by untrusted code.

In FIG.4A, the user terminal is represented as having established a computing session 100 within the general UOS 20. During the session, the user may attempt to execute various commands. Utilities within the UOS 20 determine whether the issued commands are trusted commands 50. If the command is not identified by the UOS 20 as a trusted command, the UOS 20 attempts to perform the command at process 60. In these cases the operation and existence of the TCB 10 may have little effect on the command's behavior as seen by the user.

4.6 The Process Identifier

In one embodiment, a process identifier (process ID) is associated with each user process at the time of login. This process ID is a pseudo-randomly generated alphanumeric tag which is associated with the user throughout his/her computing session.

The process ID is useful if the untrusted code can temporarily disable or delay the effect of activation of the secure-attention key. For example, untrusted code can send a reset command to some terminals. While these terminals are resetting, activation of the secure-

attention key has no effect. Such a technique may allow untrusted code to trick the user into thinking a trusted path had been established when it had not been. The process ID inhibits such trickery by allowing the user to distinguish between actual and emulated trusted paths.

When the user first logs in, he/she will not yet know the process ID and cannot detect a false trusted path. However, to simulate a login dialogue, untrusted code would have to guess when the user activated the secure-attention key, or somehow detect the activation of the key even though the TCB could not detect it. Guessing the activation time is impracticable, because users start login dialogues at their own convenience and give no advance signal to the TCB prior to activation of the secure-attention key. Detecting the secure-attention key even though the TCB could not detect it would be possible only by causing the key to yield a signal different than the TCB expects. Methods to prevent such an event are described in the co-pending application by Hu et al., referenced above.

With some terminals, the untrusted code may be able to program the terminal so that the secure-attention key generates a signal that is recognizable to the untrusted code, but not to the TCB. In these cases, generation of the process ID at the time of login would be unsatisfactory. Instead, the process ID may be generated prior to user login. For example, in these embodiments, the process ID may be generated when the user is registered with the TCB 10 and stored in protected memory. In this embodiment the user may be given a way of changing his/her process ID, just as the user can generally change their password.

In one particular embodiment, when the user logs in the SSVR 12 psuedo-randomly generates a process ID and assigns this ID to the specific user at the physical terminal. Methods of generating psuedo-random identifiers are generally known in the art. In one embodiment, the random number initial seed is based on a hardware (as opposed to a software) event. The algorithm for generating successive random numbers should be computationally difficult to invert.

This process ID is maintained in the TCB and is never provided to untrusted code. Thus, untrusted code in the general UOS 20 is prevented from discovering the specific process ID assigned to the user.

The user is responsible for noting and retaining his/her assigned process ID. To promote user retention the process ID may be generated as a pronounceable group of characters. Methods for such generating pronounceable passwords are described in "A Random Word Generator", MITRE Technical Report (MTR-3006), May, 1975, by Morrie Gasser.

The process ID is displayed to the user when a trusted path is established between the user terminal and the SSVR 12. Displaying the ID serves a useful security function as it inhibits untrusted code from "spoofing" the user. Absent the process ID it may be possible for an untrusted subject to emulate the SSVR 12. An untrusted subject, emulating the SSVR 12, may be able to trick the user into divulging security-related information or otherwise compromising system security.

The process ID, known only to the user and the SSVR 12, inhibits this type of "spoofing." Before the user responds to an apparent SSVR 12 request, he/she will first verify that the proper process ID is displayed. Since the process ID is known by only the user and the SSVR 12, it is extremely difficult for an untrusted subject, ignorant of the process ID, to fool the user into believing that he/she is conversing with the SSVR 12.

FIG.6 illustrates a flow diagram of this process. When the user initially logs into the computer system through the SSVR 12, a randomly generated process ID is assigned to the user. This activity is represented by process 310. In one embodiment, this process ID comprises alphabetic characters and is pronounceable. The pronounceable nature promotes user retention of the ID. The process ID is then stored in trusted memory by the SSVR 12 and displayed to the user by the SSVR 12 at process 320.

During the course of the computing session, the TCB determines if the user is operating through a trusted path. This activity occurs at process 330. If the TCB determines that a trusted path is not established, the process ID will not be displayed to the user. This is noted at process 350.

The process ID is maintained in trusted code and memory, and is inaccessible to untrusted subjects. Each time a trusted path is established between the SSVR 12 and the user, the SSVR 12 displays the user's process ID at process 340. By observing the displayed ID, the user is assured that an actual trusted path has been established.

4.7 The Command Conveyor

As discussed above, the command conveyor (CC) 14 is a layer in the TCB 10 which comprises part of the trusted code. The CC 14 is utilized to ensure proper communication of trusted commands between the SSVR 12 and the process supporting the untrusted subject. As discussed, such an untrusted subject may include a UOS 20.

Associated with each physical terminal 30 is a command buffer. In some embodiments, a status code may be associated with each terminal. In a still other embodiments, one of five command states is also associated with each physical terminal. The command buffer is used to store the binary representation of the trusted command. The status code may be employed to provide the resulting execution status to the untrusted subject. The command states generally comprise five possibilities:

(a) no command,

(b) command submitted,

(c) command in progress,

(d) ignore finish, and

(e) command done.

These states are used to indicate the various states that may encountered in the execution of a trusted command. FIG. 7 is state transition of the command

states. A detailed explanation of these states and the statuses may be obtained from the following discussion.

4.8 Distribution of Processing of Trusted Commands

As discussed above, the TCB 10 "recognizes" two categories of commands. For the purposes of this specification "commands" include user instructions received through the use of command line interfaces, menu interfaces, direct manipulation interfaces or the like.

The first category includes "direct commands" issued while the user is operating in the SSVR 12 layer of the TCB 10, i.e., is interactively conversing with the TCB 10. As discussed above, it is desirable to limit the number of direct commands available to the user. The execution and processing of these direct commands is carried out using traditional methods known in the art.

The second category includes "trusted commands." These commands are issued by a user operating in a non-trusted computing environment, such as in the general UOS 20. In one embodiment these trusted commands are issued by a user operating in an untrusted virtual machine. FIGS.4A and 4B illustrate the activity necessary to execute such a command.

If the user attempts to execute a trusted command, the parser residing in the general UOS 20 parses the trusted command string and converts it into a binary representation at process 70. In parsing the command, the untrusted code in the UOS 20 checks syntax and semantics, and prompts for missing parameters. Pars-

ing strategies are well known in the art and will not be discussed herein.

From a security perspective, it is not required that the code in the UOS 20 perform an accurate translation of the user's commands into a parsed representation (binary representation). The confirmation mechanism, described below, is designed to catch such errors whether benign or malevolent.

Following parsing of the command, a process supporting the UOS 20 issues a call to the TCB, submitting to the TCB the identification of the terminai from which such command was issued, at process 80. In one embodiment, the virtual terminal from which the command was issued is submitted to the TCB. Such a call is processed by the CC 14 in the TCB 10. The CC 14 then determines which trusted subject submitted the command and copies the parsed representation into protected memory at process 90. In one embodiment this determination is made by asking V Term to identify the physical terminal associated with the UOS's virtual terminal.

Such a submission of the binary representation will be successful only if the TCB 10 determines that the submitting terminal is connected to an active process.

Normally, in embodiments utilizing the command states, the command state of the submitting physical terminal is no command, which indicates that there is no trusted command submitted by that physical terminal or in progress. This state is represented by state 400 in FIG. 7. When the state is no command, the CC 14 saves the binary representation in the command

buffer, and sets the physical terminal's state to command submitted, represented by transition state 410. Otherwise, the submission fails.

When the untrusted subject running in untrusted code receives indication from the TCB 10 that the command has been submitted, it requests the user to activate the secure-attention key. In one embodiment, the untrusted code in the UOS 20 will request that the user activate the BREAK key.

If the user activates a cancellation key, for example Ctrl-Y or Ctrl-C, instead of activating the secure-attention key, code in the general UOS 20 may cancel the trusted command. This can be accomplished by the untrusted code issuing a kernel call (i.e., a request by the untrusted subject of the security kernel) and informing the CC 14 finds that the command is to be aborted. If the CC 14 finds that the command has not been sent to the SSVR 12, the command is canceled. Similarly, if the user process in the UOS 20 is killed, the process rundown code may cancel the trusted command request. However, if the CC 14 finds that the command has already been sent it proceeds; because the user is already executing the command.

In embodiments employing command states, cancellation of the trusted command request results in the command state being changed from command submitted to no command. This process is indicated in FIG. 7.

If the user attempts to establish a trusted path at the same time the trusted command is sent to the TCB 10, then the TCB 10 must arbitrate; either of these re-

quests may be processed first. If the secure-attention signal is processed first, the TCB 10 may defer the command submission, and a connection with the SSVR 12 is established. If the submission is processed first, then the user sees the confirmation screen as is described below.

If, when prompted, the user activates the secure-attention key, a trusted path is established between the user's physical terminal 30 and the SSVR 12 in the TCB 10. This configuration is illustrated by the dark line in FIG.3. When the VT layer 16 detects the secure-attention (BREAK) key, it notifies the SSVR 12 which then establishes a trusted path in the trusted path-supporting process associated with the user's physical terminal 30.

Once the trusted path is established, the TCB 10 maintains exclusive control over the physical terminal 30. In one embodiment, untrusted code in the UOS 20 waits to be notified that the command has been completed. Thus, the user essentially bypasses the untrusted code, and converses only with trusted code. Thus, if the user's process in the general UOS 20 is killed, or the user's process terminates, or the general UOS 20 crashes, the trusted command may still be executed. The user will not be informed of any of these activities until the trusted command has been completed or abandoned.

Following establishment of the trusted path, the security requirements of the system require interaction between the user and the SSVR 12. This is necessary to execute commands which require the establishment of a trusted path. The Orange Book criteria, and/or the

system's security goals, will determine which commands require this interaction as is generally discussed in Section 4.9 below.

The establishment of a trusted path in these instances is useful for several reasons. First, it allows the secure server to identify the specific user issuing the command. Second, the trusted path allows the user to review and approve (or reject) the requested action in a trusted fashion. This reduces the possibility of malicious untrusted software altering a command request, and allows for the detection of parsing errors.

FIG.4B illustrates the activity occurring after control has passed to the TCB 10. As discussed above, the TCB 10 first establishes a trusted path at process 120. The TCB then checks to see if a trusted command has been submitted by the user. Untrusted code may then wait for the command to finish.

Once a trusted path has been established, the SSVR 12 will call the CC 14 to return the binary representation at process 130. In one embodiment, the CC 14 will first determine the command state of the physical user terminal 30. In a still further embodiment if the command state is *command submitted* 410 (FIG. 7), the CC 14 will return to the SSVR 12 the binary representation, and change the command state to *command in progress* 420. If the state is *no command* 400 or *command done* 430, the call will fail, and the SSVR 12 will display the SSVR prompt (SSVR>) to the user. An initial command state of *Command in progress* 420 or *ignore finish* 440 implies a bug in the SSVR 12 and may result in the CC 14 crashing the TCB 10.

In these embodiments, if the command state was command submitted 410, then the CC 14 will return to the SSVR 12 the binary representation of the requested command.

4.9 Display of Command to User

Once the parsed command has been returned to the SSVR 12, the SSVR 12 will determine if the command requires confirmation at process 140 (FIG. 4B). Confirmation should generally be required for commands which request modification of information. Commands that do not alter the information, such as the viewing of information, should not generally require confirmation. For purposes of confirmation, redirecting the display into a file should be considered as viewing information.

The decision of whether a given command should require activation of the secure-attention key to execute depends on the basic security policy of the system. In one embodiment, secure-attention trusted commands are a mechanism for use by system managers, security managers, operators, and holders of special privileges.

Generally, a command which is not a direct command, is a secure-attention command if:

a. it modifies a security kernel database in a security-relevant way; or

b. it displays information on which a systems manager, security manager, or operator will base a security decision.

If the command is one that does not require confirmation, the TCB 10 enforces the system's security policy and determine if the user has the necessary access rights to execute the command at process 145. If this is the case the TCB 10 attempts to execute the binary representation at process 150. Since certain commands, e.g. commands that merely display information, do not change the state of the system, user confirmation is not required. There is no security problem in not confirming these commands since the system only allows users to view information to which they have access.

There are certain commands that change the state of the system may not require confirmation. Some commands may allow the user to turn on a file to receive the user's redirected output. This files are sometimes known in the art as "listing files." Generally, the turning on of a listing file is a confirmed command.

In situations where a listing file has been turned on (i.e., the output is redirected into this file) commands which normally display information may, by writing to the listing file, alter the state of the system. In these cases, confirmation of these commands is generally not required because the flow of information is constrained by the TCB's security rules.

When a command requesting the display of information is executed by the TCB 10, the SSVR 12 responds by displaying a complete representation of the requested command as well as the requested information, i.e. the standard human-readable representation of the command. In one embodiment, the SSVR 12 displays

the function code, command modifiers, and command parameters all in unambiguous notation. If employed, the process ID may also be displayed.

Thus, if the user's command is improperly parsed, or modified in an unauthorized manner, the user will be able to observe the difference. This inhibits an untrusted subject from fooling a user into believing that he or she is observing the results of a submitted command, when in fact that command had actually been altered.

If the command requested is one for which confirmation is required, the SSVR 12 displays a standard human-readable representation of what is about to be done to the user terminal at process 170. The code representing each command should produce a different display, unless the commands have the same effect. As previously discussed, the re-display of the action that a binary representation will perform is less complex than the parsing of the original command. This is in part because by definition there is only one standard human-readable representation for each parsed command.

By parsing the command in untrusted code, and verifying the request in trusted code, the overall complexity of the TCB 10 is decreased. The display of "what is about to be done" may of course vary from one command to another.

If the command's purpose is to add a record to a database or create an object, the display may contain what the new record will contain, or what the attributes of the object will be if the command is confirmed.

If a particular database or object is to be modified, the display may show what the updated data will look like, or what the attributes of the object will be if the command is confirmed. For commands which remove an existing object, or delete an existing file, the display may show the record or object.

Generally, for both adding/creating and modifying, the data packet representing the submitted command may contain fields for the objects attributes, such as its name, its size and its protection. For each of these fields, the packet may also have a flag indicating whether the field is meaningful. These flags indicating meaningful fields may be know as "field selectors."

In add/create commands, the TCB may supply default values for unselected fields. In commands which modify a database entry or object, unselected fields may retain their previous values.

To aid the user, the selected fields may be highlighted when displayed for confirmation. Such highlighting may be accomplished by methods known in the art (e.g., by using escape sequences that begin and end reverse video). This highlighting draws the users attention to the fields that have non-default or changed values and helps to protect the user from tricks by untrusted code.

When an audit record is produced of the confirmation display via the sink (discussed below) the reverse-video escape sequences may be replaced with dashes on the next line. Example:

Name: JOHN.DOE
- - - -

This change permits the audit record to be properly displayed on a wide variety of devices, even simple line printers.

Alternative embodiments are envisioned in which the TCB checks each field's value: for add/create commands the fields that have non-default values are highlighted; and for modify commands the fields that are changing are highlighted. This "field comparison" approach generally results in less highlighting.

Generally, for every command, every packet field is displayed on the screen, except for fields ignored by the particular command.

In the cases when a database will not be modified, the display generated by the SSVR 12 may express what action is to be done. In this manner, the possibility of an erroneous confirmation is reduced since the user is requested to confirm the results, not the command.

The SSVR 12 may also display a list of user protection attributes so that the user knows what role he or she is exercising. The user is required to confirm explicitly (Yes or No) the action requested. In a general embodiment, the TCB 12 displays for confirmation the results which would occur if the command is executed.

Generally, any information in the binary representation that is displayed is first validated. This information is checked once to ensure that certain requirements are met, e.g., to ensure that the counts of array elements are within array bounds (since out-of-bounds conditions could provide an opportunity for entry into the TCB by illicit software).

Before displaying the contents of a packet containing the binary representation of the command, anything that could cause the formatting code to malfunction may be validated. Generally, such candidates for validation could include anything used to index into something else. Specific examples include the PASCAL language's implementation of varying strings (a count followed by an array of characters; the count is checked to be less than or equal to the character array size), and numbers that represent keywords (their value is checked before it is used to index into an array of keyword text strings). Further methods of validation are well known in the art and will not be discussed herein.

In one embodiment, the replies that the user may make to the confirmation prompt are "yes", "no", Ctrl-C, Ctrl-Y, or the BREAK key. No default responses exist in this embodiment. For each user response, the secure server may display a message restating the response. If the response was "yes" or "no", the secure server 12 displays an indication of the computing session in the UOS 20 when it is being be resumed after command completion.

If, however, the user activates the Ctrl-Y, Ctrl-C, or the BREAK key, the command will be aborted. In one embodiment, the CC then changes the command status code to negative. This may be done to inform the submitting process that the command has been aborted. In these cases a direct session with the SSVR 12 will be established at process 300. In these instances, the user must explicitly issue a resume command to return to the session in the UOS 20.

If the user confirms the results or command, by replying with "yes", or if the command does not require confirmation, the TCB 10 enforces the system's security policy at process 145. At this process the TCB 10 determines if the user has the necessary access privileges to perform the requested activity. If the user has the required access rights, the SSVR 12, along with other code in the TCB 10 attempts to execute the command in a conventional manner.

Upon attempted execution of the command, the SSVR 12 may inform the CC 14 of the execution status. In some high-security situations, concern for information flow from trusted to untrusted code will prevent informing the CC 14. The CC 14 may change the command status to indicate the SSVR 12 response. In addition, in alternate embodiments, the CC 14 changes the command state from command in progress 420 (FIG. 7) to command done 430. In these cases, the CC 14 notifies the submitting untrusted subject by traditional methods (e.g., by advancing an event count for that process). The SSVR 12 then reestablishes the terminal connection with the computing session in the UOS 20 from which the command was executed.

In embodiments utilizing the status code, if the user responds with "no", the secure server informs the session in the UOS 20 that the command was not executed (negative status code). If command states are also employed, the SSVR 12 changes the command state to command done, and re-establishes the user's session in the general UOS 20 at process 160.

If the trusted command requested by the user is a command which affects one of the system databases, and the database record was changed by some other process or user between the time the confirmation display appeared and the current user confirmed the command, then the SSVR 12 displays a message indicating that a change has been made and requests reconfirmation. In this case, the SSVR 12 waits for a response as if it were the first time the information was displayed.

To ensure that if two users attempt to modify the same element at the same time, only one request is rejected, the TCB may utilize identifiers known as "modification counts" (mod-counts).

Each element of key databases (or registries) may contain a modification count. This mod-count is advanced after each modification and thus identifies how many modifications have been made to the database element. Thus, when a user attempts to modify a database element, the SSVR 12 first obtains that database element's mod-count. After the user has confirmed the request, the TCB 10 checks the mod-count in the request against the current mod-count.

A different mod-count indicates that a change has been made to the database element, and the user is asked to reconfirm the request since the result previously confirmed by the user is not what the result would actually be.

To deter malicious users or subjects from preventing the execution of trusted commands, two measures may be taken. First, certain access rights may be required to change certain database elements. Second, the mod-count should not be advanced when a modification is requested that does not change the database element. In this manner, attempts by malicious subjects to prevent execution of a trusted command, by rapidly and spuriously causing the mod-count to be incremented, will be inhibited.

Once activity in the SSVR 12 is completed, the user's session in the general UOS 20 is reestablished. In one embodiment, this may be accompanied by the CC 14 informing the untrusted subject of the status of the submitted command. The untrusted code in the general UOS 20 then wakes-up the untrusted process running in the UOS 20 at process 160. In one embodiment, before the TCB 10 passes the user to the untrusted subject, the SSVR 12 prompts the user to activate a carriage return. This step is necessary to inform the user that he/she is being placed into an untrusted environment.

4.10 The SSVR as an Audit Recorder

In one embodiment, the SSVR 12 audits (i.e., creates an audit trail by writing to an audit or log file) at the command level. For direct commands the SSVR 12

audits both the command line and the final status of the command. For trusted commands (secure-attention commands), the SSVR 12 audits both the confirmation display and the final status of the command.

To record the confirmation displays, the SSVR 12 defines a portion of memory to store the strings of information sent by the SSVR 12 to the user's terminal. In one embodiment, this portion of memory is known as the "sink." Only the strings that comprise the SSVR's confirmation screens are placed in the sink.

Strings may be appended to the sink only when the sink is opened. The sink is opened when the SSVR 12 begins to service a trusted command. The sink may be closed after the user has responded to the confirmation prompt, or before the display of certain requested information. The information stored in the sink does not include the user input to any prompts.

The information stored in the sink is maintained for auditing purposes and may be utilized according to traditional auditing practices.

4.11 Confirmation by Others than the Submitting User

In some situations it may be desirable for users other than the submitting user to confirm a secure-attention command. Such a situation may arise if there is a certain application or command file that includes a privileged command but is needed to be run by a large number of users. In the cases where it may be impracticable to grant all of the users the necessary access rights, it may be possible to grant one user the neces-

sary rights, and to allow him/her to confirm this command for the other users.

Such non-submitting user confirmation may be accomplished by having the code in the untrusted subject lie about which user is submitting the command. For example, the code in the UOS 20 may ensure that certain commands are always sent to the TCB 10 as if they had been submitted by a selected user.

One purpose of this select user would be to confirm these certain commands for the other users. After a non-select user submits one of the certain commands, the selected user will be notified that there is a submitted command waiting. The select user may then observe the confirmation display. If the select user determines that the command submitted was a legitimate command, he/she may confirm the command. Otherwise, the original users attempt to execute the command fails.

4.12 Implementation Approaches

The method for executing trusted commands described above may be implemented through the use of appropriate software. The actual design and coding is a matter of routine for those skilled in the art having the benefit of this disclosure. Such a design will of course vary with the hardware platform and other factors associated with the specific desired implementation.

FIG.5 illustrates one such method for implementing the present invention. A programmable machine comprises a central processing unit (CPU) 210, and an input/output (I/O) device 220. The I/O unit 220 is

capable of reading and transmitting stored programming instructions from known storage media 230. The CPU 210 is capable of processing these instructions and executing the programming steps represented on media 230. Such systems are well known in the art and will not further be described.

To implement the invention, the necessary programming steps are stored on storage media 230 by traditional methods. The storage media 230 is then read by the I/O unit 220 and the programming instructions are transmitted to the CPU 210. The CPU 210 reads and interprets the instructions, and may thereafter carry out the method of the invention.

CLAIMS

WHAT IS CLAIMED IS:

1. A machine-executable method for executing a trusted command issued by a user, said method comprising the steps of:

   (a) parsing the trusted command in an untrusted computing environment to generate a parsed command;

   (b) submitting the parsed command to a trusted computing environment; and

   (c) executing the parsed command in the trusted computing environment.

2. A method including the steps of claim 1 and additionally including the steps, executed after step (b) of claim 1, of:

   (1) in the trusted environment, displaying a representation of the parsed command to the user;

   (2) receiving a signal from the user signifying whether the displayed representation accurately represents the user's intentions;

   (3) if the signal signifies that the displayed representation does not accurately represent the user's intentions, then preventing the performance of step (c) of claim 1.

3. The method of claim 2 wherein the representation of the parsed command is displayed, and the signal from the user is received, through a trusted path.

4. The method of claim 1 wherein the trusted computing environment comprises a security kernel.

5. The method of claim 1 wherein the untrusted computing environment comprises a general operating system.

6. A method for executing in a computing system a trusted command issued by a user, said method comprising the steps of:

   (a) receiving user identification data from the user via a trusted path;

   (b) receiving the trusted command from the user via an untrusted path;

   (c) parsing the trusted command in an untrusted computing environment to generate a parsed command;

   (d) submitting the parsed command to a trusted computing environment;

   (e) in the trusted computing environment, performing a security check on the parsed command and user identification data; and

   (f) in the trusted computing environment, executing the trusted command.

7. The method of claim 6, wherein the security check enforces an Orange Book security criterion.

8. A method including the steps of claim 6 and additionally including the steps, executed after step (d) and before step (f) of claim 6, of:

(1) in the trusted environment, displaying a representation of the parsed command to the user;

(2) receiving a signal from the user signifying whether the displayed representation accurately represents the trusted command; and

(3) if the signal signifies that the displayed representation does not accurately represent the trusted command, then preventing the performance of step (f) of claim 6.

9. A method including the steps of claim 6 and additionally including the steps, executed after step (d) and before step (f) of claim 6, of:

(1) in the trusted environment, displaying a representation of the parsed command to a second user;

(2) receiving a signal from the second user signifying whether the displayed representation accurately represents a legitimate command; and

(3) if the signal signifies that the displayed representation does not accurately represent a legitimate command, then preventing the performance of step (f) of claim 6.

10. A method for ensuring the existence of a trusted path in a computing system comprising the steps of:

(a) in a trusted computing environment, upon login by a user, assigning a process identifier to the user in the trusted computing environment;

(b) storing the assigned process identifier in trusted memory;

(c) establishing a trusted path;

(d) in the trusted path, displaying the process identifier to the user; and

(e) upon a subsequent entry into the trusted path, displaying the process identifier to the user.

11. The method of claim 10 wherein the process identifier is a randomly or pseudo-randomly generated group of alphanumeric characters.

12. The method of claim 11 wherein the process identifier is pronounceable.

13. An automatic data processing machine programmed to execute the method of any one of claims 1 to 12.

14. An automatic data processing machine comprising means for performing the method steps of any one of claims 1 to 12.

15. A program storage device readable by a machine and tangibly embodying a representation of a program of instructions adaptable to be executed by said machine to perform the method of any one of claims 1 to 12.

16. Apparatus for executing a trusted command that is issued by a user and that is parsed by untrusted parsing means to generate a parsed command, comprising:

(a) trusted means for receiving the parsed command; and

(b) trusted means for executing the parsed command.

17. Apparatus for controlling the execution by a machine of a trusted command that is issued by a user and that is parsed by untrusted parsing means to generate a parsed command, comprising;

(a) trusted-program storage means, readable by the machine, for causing the machine to receive the parsed command from the untrusted parsing means; and

(b) trusted-program storage means, readable by the machine, for causing the machine to execute the parsed command.

18. Apparatus for controlling the execution by a machine of a trusted command that is issued by a user with user identification data and that is parsed by untrusted parsing means to generate a parsed command, comprising;

(a) trusted program storage means, readable by the machine, for causing the machine to receive the user identification data from the user;

(b) trusted program storage means, readable by the machine, for causing the machine to receive the parsed command from the untrusted parsing means;

(c) trusted program storage means, readable by the machine, for causing the machine to perform a security check on the parsed command and a security check on the user identification data; and

(d) trusted program storage means, readable by the machine, for causing the machine to execute the trusted command.

19. Apparatus as in claim 18 and additionally comprising:

(1) trusted program storage means, readable by the machine, for causing the machine to display a representation of the parsed command to the user;

(2) trusted program storage means, readable by the machine, for causing the machine to receive a signal from the user signifying whether the displayed representation accurately represents the trusted command; and

(3) trusted program storage means, readable by the machine, for preventing the machine from executing the trusted command if the signal signifies that the parsed command does not accurately represent the trusted command.

20. Apparatus as in claim 18 and additionally comprising:

(1) trusted program storage means, readable by the machine, for causing the machine to display a representation of the parsed command to a second user;

(2) trusted program storage means, readable by the machine, for causing the machine to receive a signal from the second user signifying whether the displayed representation accurately represents a legitimate command; and

(3) trusted program storage means, readable by the machine, for preventing the machine from executing the trusted command if the signal signifies that the parsed command does not accurately represent a legitimate command.

ABSTRACT

A method for executing trusted commands, in which a trusted command is first received from a user at a user terminal and parsed by untrusted code; then passed to a trusted computing base for execution. The trusted computing base displays some indication of what is to be done back to the user for confirmation. Confirmation of the commands prevents unauthorized modification of the commands and increases system confidence. A randomly (or pseudo-randomly) generated process identifier is employed to verify the existence of a trusted path.

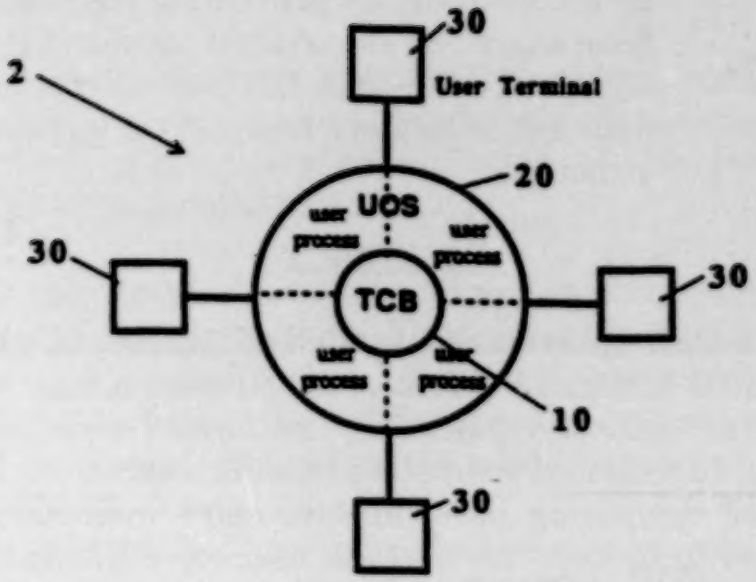

Figure 1

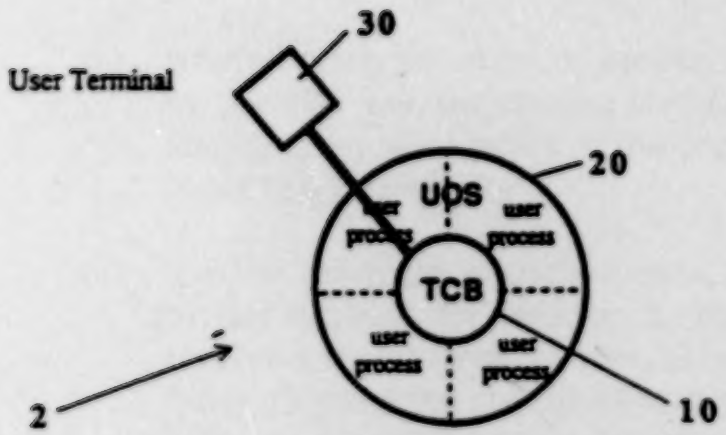

Figure 3

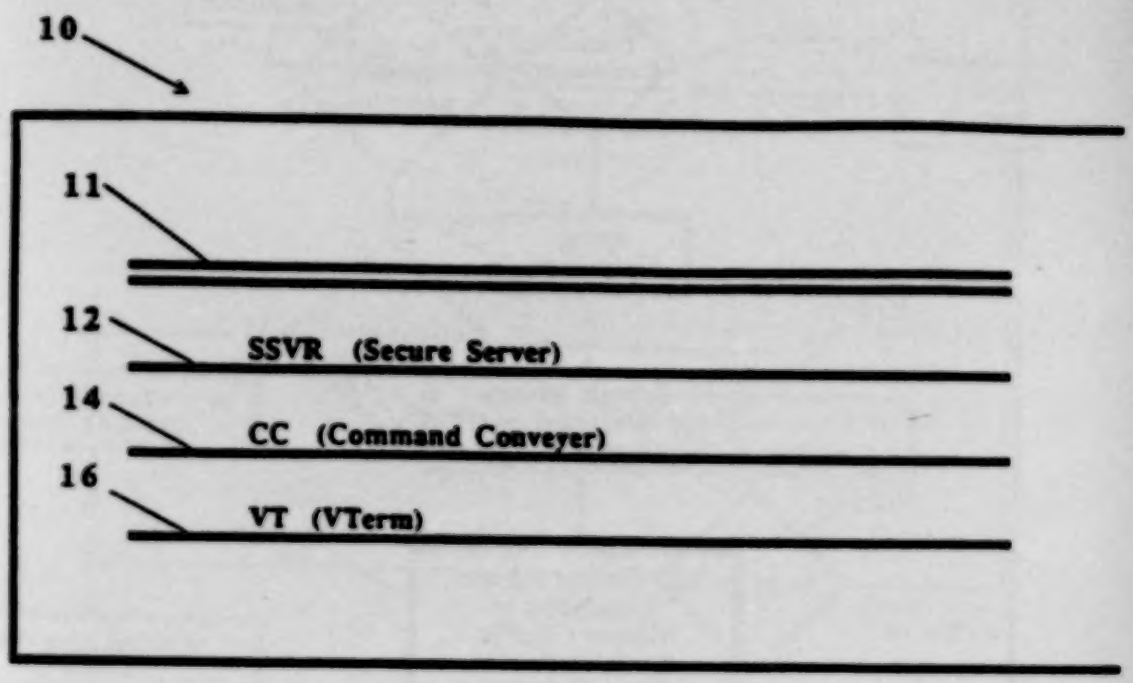

Figure 2

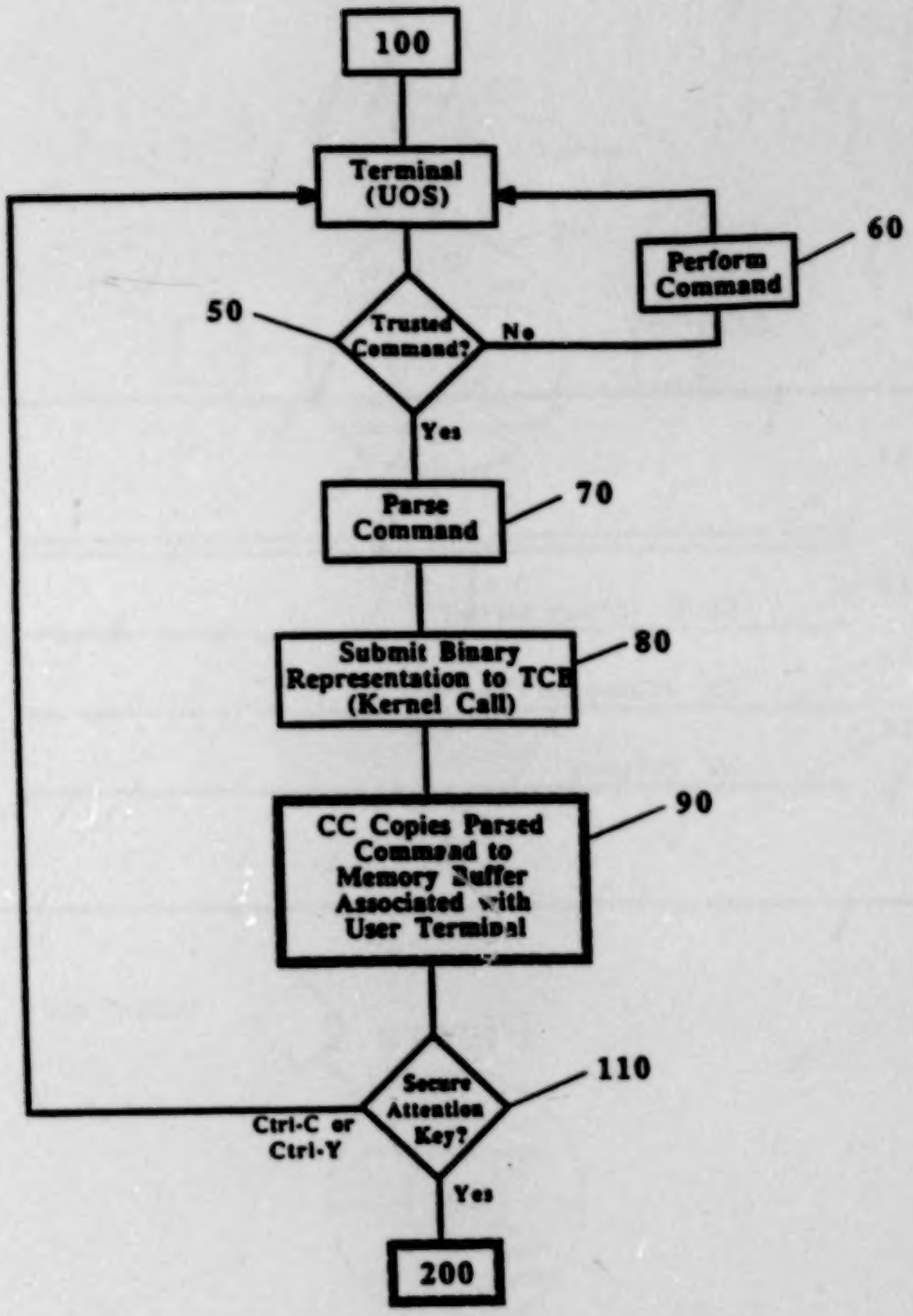

Figure 4A

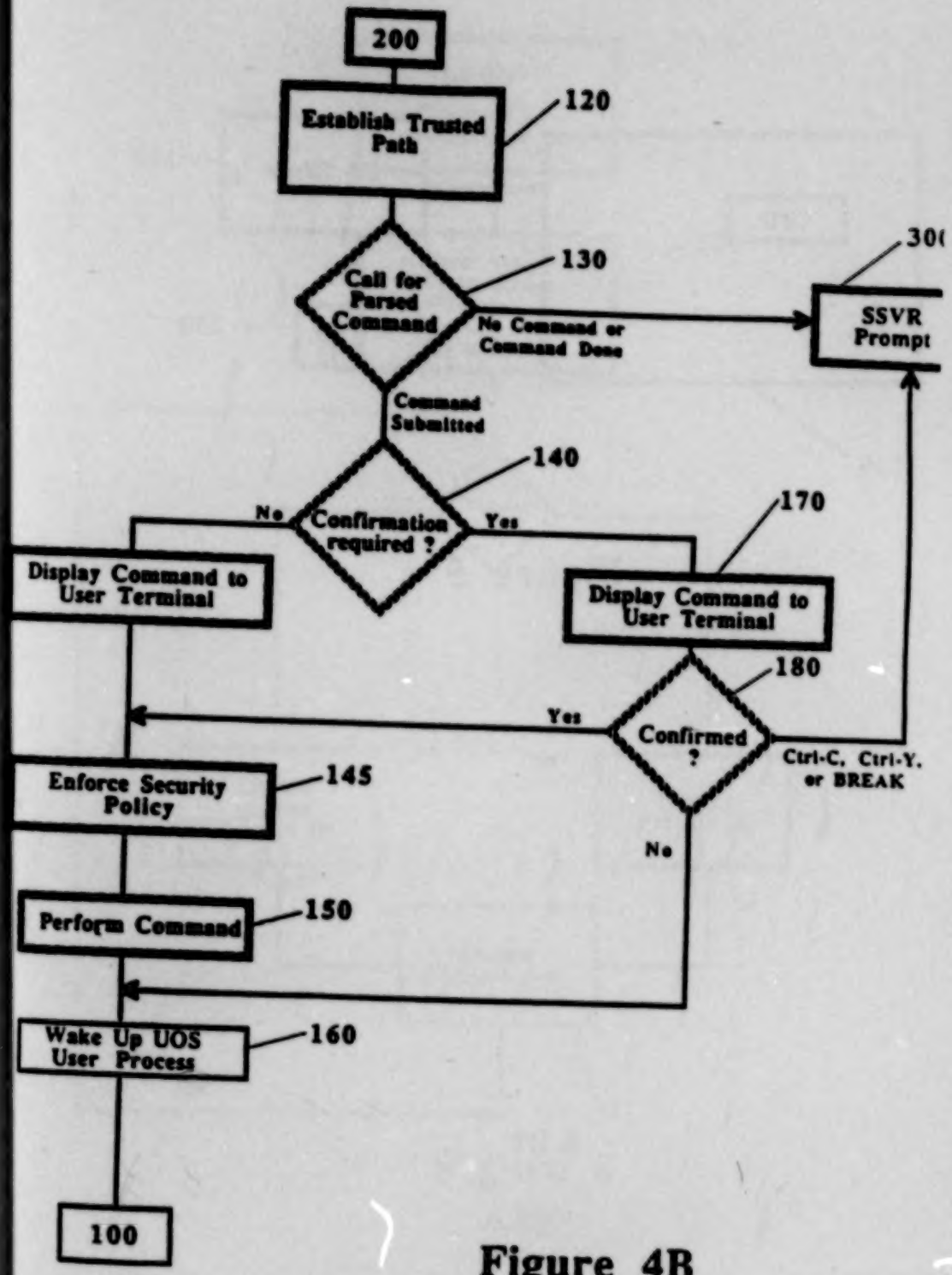

Figure 4B

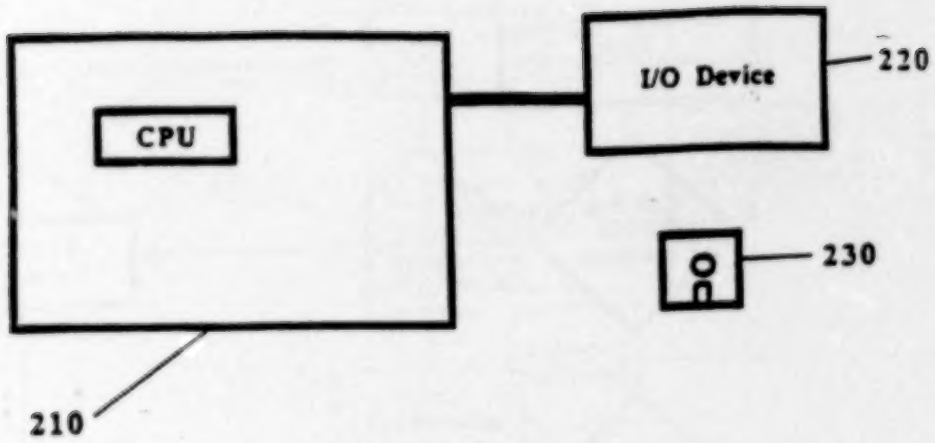

Figure 5

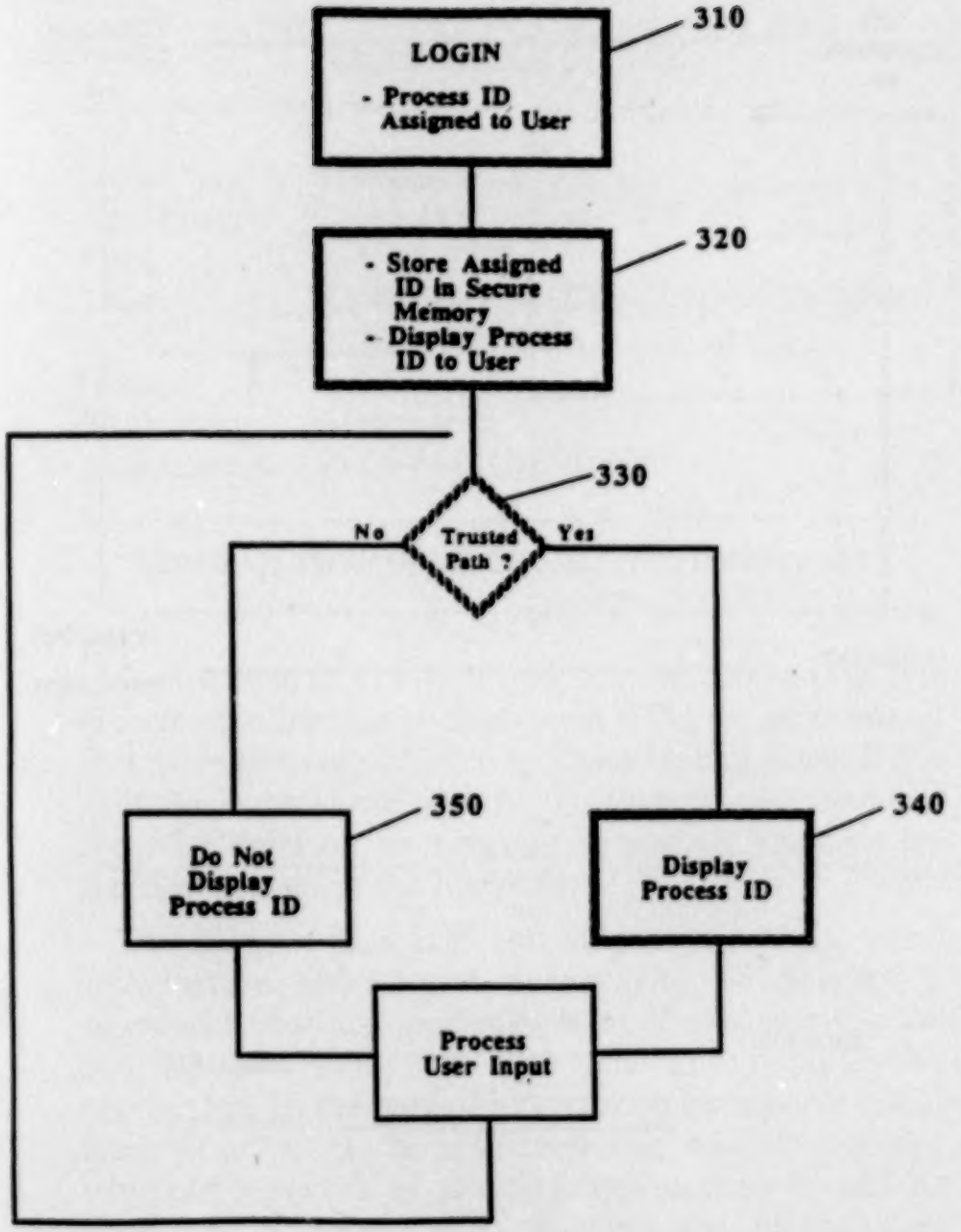

Figure 6

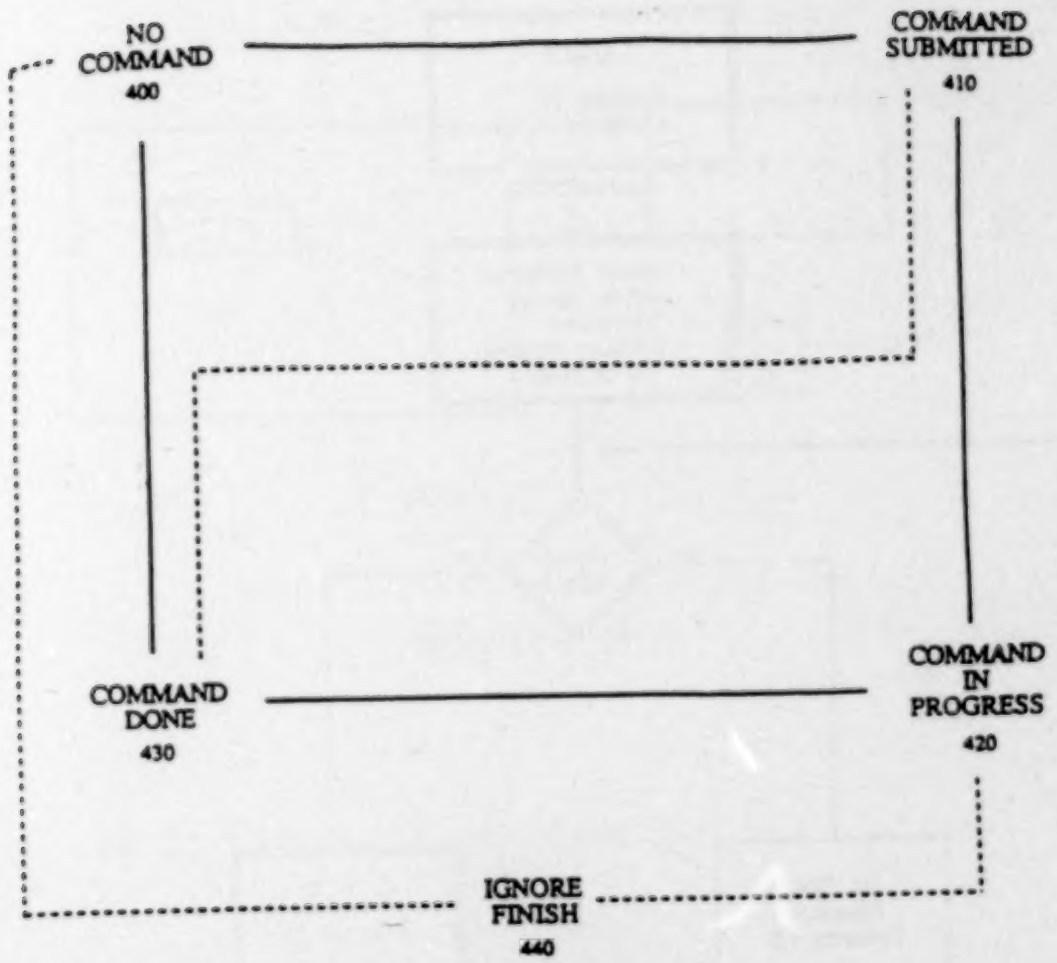

FIGURE 7

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Serial No.:	479,666
Applicant:	Zurko et al
Filed:	Feb. 13, 1990
Title:	METHOD FOR EXECUTING TRUSTED-PATH COMMANDS
Group:	234
Examiner:	(Unknown)
Atty docket:	PD90-0141 (DIGU:012)

INFORMATION DISCLOSURE STATEMENT (#2)

Pursuant to 37 C.F.R. § 1.56, it is requested that this Information Disclosure Statement (IDS) be entered and that the information listed on the attached Form PTO-1449 be considered by the Examiner and made of record. Copies of the cited references are enclosed for the convenience of the Examiner.

The filing of this IDS and submission of the cited information should not necessarily be deemed a concession that any particular item of cited information constitutes "prior art" to the above-captioned application. In the case of information not clearly qualifying as prior art, the Examiner may wish to consider whether a search of pending applications would be appropriate to determine whether any of the individuals identified in such information have filed pending applications.

In accordance with 37 C.F.R. § 1.97(b), this Information Disclosure Statement is not to be construed as a representation that a particular search has been made nor that other possibly-material information as defined in 37 C.F.R. § 1.56(a) does not exist.

The comments below are believed to be a concise summary of the pertinence of the cited information. The comments below cannot and do not, of course, take the place of the Examiner's own careful consideration of each item of cited information. The references are grouped as follows for purposes of discussion, and are discussed within each group in alphabetical order by inventor/author:

Group 1 References regarded as being pertinent and/or comprising useful general background information;

Group 2 References regarded as being of general interest;

Group 3 References regarded as being of at most peripheral interest (e.g., references obtained by the undersigned attorney because they were themselves cited in another reference of potential interest).

GROUP I REFERENCES

Dunford, "FILER (Version 2.20)" User Documentation describes a FILER program that has been available on the publicly accessible CompuServe information service (and in fact in use on the undersigned attorney's computer system) since before one year prior to the filing date of the application.

The FILER program repeats back potentially dangerous user commands and requests confirmation from the user prior to execution. For example, a user may instruct the FILER program to erase a group of files using "wild card" designators (e.g., "DEL*.*"). Prior to executing the command, the program displays a list of the specific files matching the wild card designator that will be erased and asks for confirmation that the files should be deleted. The /S command-line option of the program permits the user to confirm selectively the deletion of individual files matching the wild card designator. See page 1, lines 24-25, 35-37; page 5, lines 195-201; page 6, lines 255-258.

UNIX operating system (no specific reference included): In many UNIX systems, a number of simple shell commands translate directly into system calls. This feature is well documented. For example, the "rm" command corresponds to the "un-link" system call and results in removal of a file. The "rmdir" command corresponds to the "rmdir" system call and results in removal of a directory. The "chmod" command corresponds to the "chmod" system call and results in a change to the protection mode of a file.

These system calls could be regarded as "trusted." A UNIX system call does its work in kernel mode. The call does something that an unprivileged program running in an unprivileged account could not do directly. For example, an unprivileged program running in an unprivileged account cannot write to the file structure. Yet the system calls cited above can all be used by unprivileged programs running on behalf of unprivileged users. Such programs may be deemed "untrusted". The "rm", "rmdir", and "chmod" programs themselves are unprivileged on many UNIX-like

system such as an Ultrix system developed by the assignee, Digital Equipment Corporation.

Thus, the prior art includes an untrusted program parsing a command and then executing the command by a calling a trusted service that executes in a trusted computing environment, namely kernel mode. This art is believed to be pertinent to claim 1 prior to its amendment.

Johri et al. '653 purposes a trusted-path mechanism for an operating system to inhibit Trojan-horse programs. By pressing a Secure Attention key (SAK) on a terminal keyboard, a user may create a trusted path between the terminal and a trusted-shell portion of a trusted computing base (TCB) in a UNIX-type operating system. *See* col. 2, lines 55-70. When a SAK signal is received by the host, the host terminates all processes in the terminal's process group; removes essentially all addressing information relating to the terminal's device-driver interfaces from the data processing system; and executes a new child process and a trusted shell process. *See* col. 3, lines 10-53.

McCauley & Drongowski, *KSOS; The Design of a Secure Operating System,* was published in (it is believed) about 1979. The paper discusses a DOD Kernalized Secure Operating System (KSOS) that apparently was under development at the time. Section 3.1 discusses the security kernel concept; section 3.1.1 includes a background discussion of trusted processes.

Section 3.1.5, beginning at page 9, discusses a proposed secure terminal interface, including the concept of blocking the normal path when the terminal user presses a reserved attention character such as the

BREAK key. Figure 2 of the paper illustrates the proposal.

The paper includes a bibliography of references beginning at page 14.

* * * * *

[Group II and III references omitted]

Date: 5-1-91 /s/ D. C. TOEDT
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ATTORNEYS FOR ASSIGNEE

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: Mary Ellen Zurko et al.

Serial No.: 479,666 Group Art Unit:

Filed: February 13, 1990 Examiner:

Title: METHOD FOR EXECUTING TRUSTED-PATH COMMANDS

Atty. Dkt: PD90-0141
(DIGU: 012)

PRELIMINARY AMENDMENT AND SUPPLEMENTAL INFORMATION DISCLOSURE STATEMENT

Hon. Commissioner of Patents
and Trademarks
Washington, D.C. 20231

Sir:

Prior to the receipt of the initial Office Action, please amend the above referenced application as follows:

IN THE SPECIFICATION:

Page 6, line 21, after "is usually operated", insert the phrase—in conjunction with—.

Page 7, line 1, after "the majority of", insert—the—.

Page 7, line 10, after "and either", insert—(1)—.

Page 7, line 11, after "its own initiative", insert—(2)—.

Page 8, line 7, replace "to have" with—that are given—.

Page 8, line 19, replace "Because" with—Partly because—.

Page 15, line 21, change the phrase "command line" to the phrase—command-line—.

Page 16, line 12, replace "is" with—are—.

Page 17, line 24, after "VMS or Ultrix system", insert — (the UOS) —.

Page 18, line 17, change the word "VTerm" to the phrase—Virtual Terminals—.

Page 19, line 4, delete "a".

Page 20, line 13, delete "user".

Page 23, line 1, replace "the terminal" with—certain terminals—.

Page 27, lines 6-7, replace "as long as the user has an active session" with—until the user logs out of the TCB 10—.

Page 30, line 7, replace "their" with—his/her—.

Page 33, line 3, delete "a".

Page 35, line 4, change "errors" to—inaccuracies—.

Page 35, line 8, after "submitting to the TCB", please insert— the parsed representation of the command and —.

Page 35, line 10, before "virtual terminal", insert—identification of the—.

Page 36, line 8, after "command has been", insert the word—successfully—.

Page 36, line 17, delete "and".

Page 36a, line 22, replace ";" with—,—.

Page 38, line 3, delete "the user's process".

Page 38, line 5, delete "activities" and insert therefore—disruptions—.

Page 41, line 2, delete "determine", and insert therefore—determines—.

Page 41, line 8, delete "only".

Page 41, line 9, before "information", insert—only—.

Page 41, line 11, after "system", insert—which—.

Page 41, line 13, replace "turn on a file to receive the user's redirected output" with —direct an informational display into a file to which the user has access permission—.

Page 41, line 13, delete "This", and substitute therefore—These—.

Page 41, line 18, delete "this file" and insert therefore —a listing file—.

Page 41, line 22, change "rules" to—policy—.

Page 42, line 13, change "had" to—has—.

Page 43, line 19, change "objects" to—object's—.

Page 44, line 8, change "users" to—user's—.

Page 44, line 12, replace "is produced of the confirmation display" with—of the confirmation display is produced—.

Page 45, line 8, after "may express", please insert—, in a human language (e.g., English), —.

Page 45, line 10, delete ", not the command", and insert therefore—(an understandably stated action), not a potentially cryptic command—.

Page 45, line 12, after "protection attributes", insert therefore—(such as the privileges the user has enabled) —.

Page 47, line 20, change "e.g.," to—or —.

Page 48, line 24, delete "element".

Page 49, line 23, change "wakes-up" to—wakes up—.

Page 52, line 7, change "users" to—user's—.

IN THE CLAIMS

Please amend claim 1, without prejudice, to read:

1. (once amended) A machine-executable method for executing a trusted command issued by a user, said method comprising the steps of:

   (a) parsing the trusted command in an untrusted computing environment to generate a parsed command:

   (b) submitting the parsed command to a trusted computing environment; [and]

   (c) in the trusted environment, displaying a representation of the parsed command to the user;

   (d) receiving a signal from the user signifying whether the displayed representation accurately represents the user's intentions;

   (e) if the signal signifies that the displayed representation does not accurately represent the

user's intentions, then preventing the execution of the parsed command.

[(c) executing the parsed command in the trusted computing environment.]

Please amend claim 3, without prejudice, to read:

3. (once amended) The method of claim [2] 1 wherein the presentation of the parsed command is displayed, and the signal from the user is received, through a trusted path.

Please amend claim 16, without prejudice, to read:

16. (once amended) Apparatus for executing a trusted command that is issued by a user and that is parsed by untrusted parsing means to generate a parsed command, comprising:

(a) trusted means for receiving the parsed command via a trusted path; [and]

(b) means for displaying a representation of the parsed command to the user; and

([b] c) trusted means for executing the parsed command.

IN THE ABSTRACT

Page 65, line 6, after "displays", insert —to the user for confirmation—.

Page 65, line 7, delete "back to the user for confirmation."

REMARKS

This amendment is made before the receipt of the initial Office Action. The Examiner's attention is invited to the following amendments:

(a) page 35, line 8: the amendment makes it clear that the parsed representation of the command, as well as the terminal identification, is passed to the TCB. The Examiner will recognize that this amendment is merely editorial, inasmuch as the substance of the change is fully supported elsewhere (e.g., in Figure 4A at process 80 and at page 13, lines 8-11).

(b) page 47, line 20: "e.g.," is changed to—or—because event counts are not regarded as conventional means in this context. The Examiner will recognize that the change is not necessary for enablement or best-mode support of the claims and does not constitute the introduction of new matter.

Otherwise, the changes to the specification are requested to correct minor typographical errors and to increase the readability of the application. The Examiner will recognize that no new matter has been introduced.

The claims have been amended to point out more particularly and distinctly claim the subject matter which the applicants regard as their invention. It is believed that claims 1 and 16 may be invalid as overly broad in view of prior art that may exist (the applicants are attempting to obtain more specific information about whether or not this in fact is the case).

SUPPLEMENTAL INFORMATION DISCLOSURE STATEMENT

[Omitted]

* * * * *

The claims are believed to be in condition for allowance. Early passage to issue is requested.

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ATTORNEYS FOR APPLICANTS/ASSIGNEE

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:
Mary Ellen Zurko, et al. Group Art Unit: 2307
Serial No.: 479,666 Examiner: Brian Klock
Att'y Docket: PD90-0141
(DIGU:012)

Filed: February 13, 1990

For: METHOD FOR EXECUTING TRUST-PATH COMMANDS

RESPONSE TO OFFICE ACTION OF MARCH 18, 1992

Honorable Commissioner
of Patents and Trademarks
Washington, D.C. 20231

Sir:

In response to Office Action mailed March 18, 1992, please amend the referenced application as follows:

In the Claims:

Please amend claim 1 to read:

1. (twice amended) A machine-executed method for executing a trusted command issued by a user on a computer system, the computer system including an untrusted computing environment and a trusted computing environment, said method comprising the steps of:
   (a) parsing the trusted command in [an] the untrusted computing environment to generate a parsed command;

(b) submitting the parsed command to [a] the trusted computing environment;

(c) [in the trusted environment,] displaying a representation of the parsed command to the user through a trusted path;

(d) receiving a signal from the user through a trusted path signifying whether the displayed representation accurately represents the user's intentions;

(e) if the signal signifies that the displayed representation does not accurately represent the user's intentions, then preventing the execution of the parsed command; and

(f) if the signal signifies that the displayed representation accurately represents the user's intentions, executing the parsed command in the trusted environment.

Please cancel claim 2 without prejudice as being encompassed in claim 1.

Please cancel claim 3 without prejudice as being encompassed in claim 1.

Please amend claim 6 to read:

6. (once amended) A machine-executed method for executing [in a computing system] a trusted command issued by a user on a computing system including an untrusted computing environment and a trusted computing environment, said method comprising the steps of:

(a) receiving user identification data in the trusted computing environment from the user via a trusted path;

(b) receiving the trusted command from the user in the untrusted computing environment via an untrusted path;

(c) parsing the trusted command in [an] the untrusted computing environment to generate a parsed command;

(d) submitting the parsed command to [a] the trusted computing environment;

(e) [in the trusted computing environment,] performing a security check on the parsed command and user identification data in the trusted computing environment; and

(f) [in the trusted computing environment,] executing the trusted command in the trusted computer environment.

Please amend claim 7 to read:

7. The method of claim 6, wherein the security check enforces [an Orange Book] *a* security criterion from the Department of Defense Trusted Computer System Evaluation Criteria (Ref. No. DOD 5200.28-STD).

Please amend claim 10 to read:

10. A machine-executed method for [ensuring] verifying the existence of a trusted path to a user in a computing system, the computer system including a trusted computing environment, the method comprising the steps of:

(a) [in a trusted computing environment,] upon login by a user, assigning a process identifier to the user in the trusted computing environment;

(b) storing the assigned process identifier in trusted memory;

(c) establishing a trusted path between the user and the trusted computing environment;

(d) [in] through the trusted path, displaying the process identifier to the user; and

(e) upon [a] the user's subsequent entry into the trusted [path] environment, displaying the process identifier to the user through the trusted path.

Please amend claim 16 to read:

16. (twice amended) Apparatus for executing a trusted command that is issued by a user and that is parsed by untrusted parsing means to generate a parsed command, comprising:

(a) trusted means for receiving the parsed command via a trusted path;

(b) means for displaying a representation of the parsed command to the user for verification; and

(c) trusted means for executing the verified parsed command.

Please cancel claims 17-20 without prejudice to possible representation at a later date.

Please substitute the following claim for claim 15:

21. (new) A program storage device readable by a machine and encoding machine-executable instructions that include instructions for performing the methods of any one of claims 1 though 12.

REMARKS

[Omitted]

* * * * *

Respectfully submitted,

/s/ D. C. TOEDT III
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ATTORNEYS FOR ASSIGNEE

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Appeal No. 96-1258
(Serial No. 07/479, 666)

IN RE MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL AND STEVEN B. LIPNER, APPELLANTS

APPEAL FROM A DECISION OF THE
BOARD OF PATENT APPEALS AND
INTERFERENCES DATED JULY 31, 1995

[Filed: June 20, 1997]

APPELLANTS' OPPOSITION TO CORRECTED PETITION FOR REHEARING AND SUGGESTION FOR REHEARING *IN BANC* BY APPELLEE

[List of counsel and certificate of
interested parties omitted]

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INTRODUCTION

The Commission's Corrected Petition for Rehearing and Suggestion for Rehearing *In Banc* (the "Petition") is fundamentally flawed and should be denied. First, the Petition is premised on new issues that were not raised much less briefed before. Second, the Petition does not demonstrate that the outcome of this case would be different if the Court had reviewed the Board's fact findings under a "substantial evidence" standard. Third, the Petition does not establish that this case is one of "exceptional importance." Finally, the Petition does not show why the holding of this Court in *In re Lueders* should be overturned.

I. THE PETITION IMPROPERLY RAISES ISSUES *FOR THE FIRST TIME ON REHEARING*

In its original brief on appeal before this Court (the "Appellee's Brief"), the Commissioner argued that the standard of review for the fact findings of the Board of Patent Appeals and Interferences (the "Board") should be the "arbitrary and capricious" standard set forth in §706(2)(A) of the Administrative Procedure Act (the "APA"). (Appellee's Brief at 7). In the Petition, however, the Commissioner jettisons that argument and raises a new issue—that the standard of review should be the "unsupported by substantial evidence" standard set forth in §706(2)(E) of the APA. (Petition at 2-10). This attempt to raise a new issue when seeking rehearing is wholly improper and by itself warrants denial of the Petition. *See Kale v. Combined Ins. Co. of Am.*, 924 F.2d 1161, 1169 (1st Cir.), *cert. denied*, 502 US. 816 (1991); *United States v. Lewis*, 798 F.2d 1250, 1250 (9th Cir. 1986); *United States v. LePatourel*, 571 F.2d 405, 410-11 (8th Cir. 1978); *United States v. Sutherland*, 428

F.2d 1152, 1158 (5th Cir. 1970) ("Having tried and appealed its case on one theory, an unsuccessful party may not then use a petition for rehearing as a device to test a new theory.").

Having had the sole grounds of rejection under 35 U.S.C. § 103 reversed by this Court, the Commissioner also improperly attempts to raise a wholly new obviousness issue. The Petition argues for the first time that *Zurko, et al.* Claims 1, 4 and 5 are unpatentable under 35 U.S.C. § 103 over the combination of UNIX and FILER2 in view of Johri *et al.* (U.S. Patent No. 4,918,653), the 1983 IEEE article, the 1988 IEEE symposium paper and the "KSOS" article. (Petition at 13-14). The last four references were of record but were never applied in any rejection of the Claims. See Final Rejection of Examiner [A116-117]; the Board's Decision [A1-10]; Examiner's Answer [A115-122]; Examiner's Supplementary Answer [A123-127]; Appellants' and Appellee's Briefs; and this Court's opinion in *In re Zurko*, 111 F.3d 887, 42 USPQ2d 1476 (Fed. Cir. 1997). The only issue until now was whether *Zurko, et al.* Claims 1, 4 and 5 were unpatentable under 35 U.S.C. § 103 over the combination of UNIX and FILER2.

It is inappropriate, at this late stage, for the Commissioner to present an entirely new obviousness theory based on new references.

> This court has consistently refused to consider new issues on appeal because of the provisions of 35 USC 132. *See In re Altenpohl*, 500 F.2d 1151, 183 USPQ 38 (CCPA 1974). If a new rationale or reason advanced by the board requires an opportunity for applicants to respond, *In re Waymouth*, 486 F.2d 1058, 179 USPQ 627 (CCPA 1973), a new rationale or reason advanced by this court would *a*

> *fortiori* deny appellants procedural due process and amount to an impermissible new ground of rejection. Also, it would deprive appellants of the "hearing" provided by 35 USC 143 and 144.

In re Carreira, 532 F.2d 1356, 1360, 189 USPQ 461, 464 (CCPA 1976) (Miller, J., concurring). *Accord*, *Singleton v. Wulff*, 428 U.S. 106, 120 (1976) (refusing to consider new issues on appeal is "'essential in order that parties may have the opportunity to offer all the evidence they believe relevant to the issues . . . [and] in order that litigants may not be surprised on appeal by final decision there of issues upon which they have had no opportunity to introduce evidence.'" (citation omitted)). Since the Commissioner could not have asserted these new references in the appeal, he cannot assert them in the Petition:

> [A]n appellant cannot resurrect an omitted claim "merely by referring to it in a reply brief or oral argument." *A fortiori*, a party cannot be permitted to raise a new issue for the first time on a petition for rehearing in the court of appeals.

Anderson v. Beatrice Foods Co., 900 F.2d 388, 397 (1st Cir. 1990); *American Potash & Chem. Corp. v. United States*, 402 F.2d 1000, 1002 n.5 (Ct. Cl. 1968).

The proper procedure would have been for the Commissioner to seek remand to the Board for consideration of the additional references. *See, e.g., In re Dossel*, No. 96-1340, 1997 WL 275006, at *5-6 (Fed. Cir. May 27, 1997). Allowing the Commissioner to assert these new references now would deny Appellants their procedural due process rights and deprive them of a full and fair hearing on these issues. *See Carreira*, 532 F.2d at 1360, 189 USPQ at 464. Further, the Commissioner is asking

this Court to review a decision of the Board that does not exist. *See* 35 U.S.C. § 141. This is clearly unfair and inappropriate.

The Commissioner offers no reason whatsoever for not having raised earlier the "substantial evidence" standard or the additional prior art references, nor does he allege any "extraordinary circumstances" that could justify these late arguments. *See Sutherland*, 428 F.2d at 1158. Fed. R. App. P. 30(a) does not apply to the present situation as the Commissioner argues. (Petition at 13 n.6). Rule 30(a) only states that "[t]he fact that parts of the record are not included in the appendix shall not prevent the parties or the court from relying on such parts." Rule 30(a) does not permit reliance in the Petition on new references upon which the Commissioner, the Board and the examiner have never before relied.

Thus, the entire Petition is composed of arguments raised improperly for the first time on rehearing. For this reason alone, this Court should deny the Petition.

II. THE PETITION DOES NOT DEMONSTRATE THAT THIS COURT'S DECISION WOULD HAVE BEEN DIFFERENT IF THE "SUBSTANTIAL EVIDENCE" STANDARD OF REVIEW HAD *BEEN APPLIED*

A. The Standard Of Review Issue Should Not Be Decided Where Resolution Of The Issue Would Be Irrelevant To The Outcome Of The Case Be*ing Reheard*

In the Petition, the Commissioner has the burden of demonstrating that the application of the proposed new standard of review—the "unsupported by substantial evidence" standard—would result in a different outcome in this case. *In re Kemps*, 97 F.3d 1427, 1429-31,

1431 nn.5-6, 40 USPQ2d 1309, 1311-1313, 1312 nn.5-6 (Fed. Cir. 1996); *In re MacDermid*, 111 F.3d 890, 890-891, 42 USPQ2d 1479, 1479-80 (Fed. Cir. 1997). *See also In re Brana*, 51 F.3d 1560, 1569, 34 USPQ2d 1436, 1444 (Fed. Cir. 1995) (characterizing the Board's error by observing that it was "sufficiently clear that it is reversible whether viewed as clear error or as resulting in an arbitrary and capricious decision"); *In re Napier*, 55 F.3d 610, 614, 34 USPQ2d 1782, 1785 (Fed. Cir. 1995) (finding it unnecessary to address whether APA standard of review applies where court was "able to affirm the Board in this instance under the more stringent [APA] standard").

The Commissioner has failed to satisfy the burden of showing that the Board's decision would have been upheld under the substantial evidence test.

B. The Board's Determinations Of Obviousness Is Unsupported By Substantial Evidence, As Well As Being Clearly Erroneous

This is not a case where a different standard of review would have made a difference in the outcome. Had the Court applied the standard of review urged by the Commissioner, the ultimate issue would have been whether findings by the Board that the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway, are unsupported by substantial evidence. This issue breaks down into three subsidiary issues: (1) whether UNIX or FILER2 teaches "communicating with the user over a trusted pathway"; (2) whether UNIX, FILER2 and the record teach communicating with the user over both a trusted *and* untrusted path as claimed by Applicants; and (3) whether the problem solved by the Appellants'

invention was "previously identified anywhere in the art."

As found by the Court, "neither UNIX nor FILER2 teaches communicating with the user over a trusted pathway." *Zurko*, 111 F.3d at 889, 42 USPQ2d at 1479. The Commissioner does not deny these deficiencies in the teaching of UNIX and FILER2. Indeed, the Commissioner admits that "UNIX parses a user command outside the secure portion of the computer system (even though the command must be executed in the secure portion of the computer system). A95. It then sends the parsed command to the secure portion of the computer system for execution." *Id.* (Petition at 11) (underscoring in original).

Thus, the Board and the Commissioner admit that UNIX teaches a method where the command with the user is "outside the secure portion of the computer system." Similarly, the Board and the Commissioner's brief admit that FILER2 only teaches "a method where potentially dangerous user commands are repeated back to the user, [via an untrusted path] and a confirmation from the user is requested prior to execution." (Petition at 11-12).

Nowhere does either cited reference disclose the claimed parsing of a command in an untrusted environment; passing the parsed command to a trusted environment; repeating the command over a trusted path to the user so that the user can determine whether or not a "Trojan Horse" program changed his/her command; and then the user transmitting over a trusted path a confirmation that the repeated command represents the user's intentions. The total absence in the cited references of the claimed parsing of a command in an untrusted environment and the two-way confirmation

of the command over trusted paths precludes a finding that the references render the claimed invention obvious under 35 U.S.C. §103.

For Claim 1 to be held obvious under a "substantial evidence" standard of review, there would have to be at least some evidence in the record showing that a combination of the references can supply all elements of Claim 1. Further, the references themselves "must provide a suggestion or motivation to make such a combination." *Heidelberger Druckmaschinen AG v. Hantscho Commercial Prods. Inc.*, 21 F.3d 1068, 1072, 30 USPQ2d 1377, 1379 (Fed. Cir. 1993). Nothing in the UNIX or FILER2 references provides such a suggestion or motivation and, in any event, essential elements of the claim are entirely absent from these references.

The Commissioner has implicitly conceded that these cited references were insufficient to support a conclusion that the claimed invention would have been obvious by citing additional art, which is of record in the PTO but which was not before the Court during the initial appeal in this case. However, as discussed at 1-3 *supra*, these newly argued references may not be considered in determining whether to grant rehearing.[1]

Because there is no substantial evidence of record to support a conclusion that the claimed invention would have been obvious, the petition for rehearing should be denied, the suggestion for a rehearing *in banc* should be declined, and the case remanded to the PTO for further proceedings not inconsistent with the Court's April 15, 1997 decision in *In re Zurko*, 111 F.3d 887, 42 USPQ2d 1476.

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[1] Even so, the additional references cited by the Commissioner suffer from the same deficiencies as UNIX and FILER2.

III. THE PETITION DOES NOT DEMONSTRATE THAT THIS CASE INVOLVES A QUESTION OF EXCEPTIONAL IMPORTANCE

Fed. R. App. P. 35(a) states that a rehearing *in banc* will ordinarily not be granted unless (1) "consideration by the full court is necessary to secure or maintain uniformity of its decisions," or (2) "the proceeding involves a question of exceptional importance." The Commissioner has not alleged any conflict or inconsistency in this Court's decisions on the issue of the standard of review for the Board's fact findings. Therefore, the Commissioner must show that this issue is "a question of exceptional importance." The Commissioner has failed to do this.

A. The Standard Of Review Question Does Not Impact The Balance Of Roles In the Patent System

The Commissioner has failed to show that the question raised by the Petition is anything more than a simple procedural issue. The standard of review is not a question of first impression, does not affect the basic jurisdiction of this Court, would not affect the value or scope of patents in general, and, in short, has no significant bearing on any important policy concern of the patent system.

The Commissioner asserts that the standard of review question is "a frequently-recurring issue" (Petition at 2) and argues that the "balance of roles between the Court and the PTO in the administration of the patent system is impacted by the standard of review . . ." (Petition at 10). The only reason for the recurrence is multiple attempts by the Commissioner to inject the standard of review question into cases pending before the Court. Furthermore, any impact on the

balance of the roles would, in fact, be minor. Every year, the PTO receives over 200,000 patent applications. U.S. Patent and Trademark Office, *Managing Change for Global Challenges*, 102 tbl. 2 (1996). Only sixty to one hundred PTO decisions on applications are appealed to this Court each year and eighty percent of those are affirmed. Donald R. Dunner et al., *A Statistical Look at the Federal Circuit's Patent Decisions: 1982-1994*, 5 Fed. Cir. B.J. 151, 158, 163, 168, 173 (Summer 1995) (hereafter "Dunner"). Of those reversed, a more deferential standard of review often would not change the result. *See, e.g., In re Napier*, 55 F.3d at 614, 34 USPQ2d at 1785, *In re Brana*, 51 F.3d at 1569, 34 USPQ2d at 1444. The mere handful of cases that potentially might be affected by a change in the standard of review, therefore, could have no meaningful impact on "the balance of roles between the Court and the PTO" (Petition at 10) or on any other aspect of the patent system. Even if the number of cases potentially affected were not small, the Commissioner has made no attempt to show that a more deferential standard of review would provide any meaningful benefit outweighing the costs associated with jettisoning the present long-established review structure.

B. The Commissioner's Failure To Seek Application Of APA §706 Standards Of Review For Over 45 Years Severely Undercuts His Current "Sky Is Falling" Posture

The APA, 5 U.S.C. §§551 *et seq.*, was signed into law by President Truman in 1946. Act of June 11, 1946, c. 423, 60 Stat. 237. The patent laws then set forth in the Revised Statutes (derived from the Patent Act of 1870) were subsequently codified at Title 35 of the United States Code. Act of July 19, 1952, c. 950, 66 Stat. 792. During the extended process of drafting the 1952

Patent Act, in which the Patent Office[2] was intimately involved, the Office never sought provision for application of APA standards of review. *See In re Lueders*, 111 F.3d 1569, 1576, 42 USPQ2d 1481, 1486 (Fed. Cir. 1997) (Rich, J., co-author of 1952 Patent Act). Contemporaneous commentary by the Patent Office Examiner-in-Chief, who co-authored the 1952 Patent Act with Judge Rich, makes no mention of the APA. *See* P.J. Federico, *Commentary On The New Patent Act, reprinted in* 75 J. Pat. and Trademark Off. Soc'y 161 (March 1993) (discussing "Review of Patent Office Decisions" without mentioning or suggesting APA applicability).

More than thirty years later, the Commissioner unsuccessfully sought "rational basis" review of an obviousness determination in *In re McCarthy*, 763 F.2d 411, 412, 226 USPQ 99, 100 (Fed. Cir. 1985). This Court rejected the Commissioner's "novel" position, explaining that application of a "rational basis" standard would be "inimical to our duty to ensure the legal correctness of the Board's decisions that are appealed, a duty entrusted to the courts." *Id.* The Commissioner chose not to seek rehearing *in banc* and did not petition for writ of *certiorari* from *McCarthy*.

In a Federal Circuit appeal filed in 1993[3], the Commissioner appears to have argued for the first time that the APA's §706(2) standards of review should be applied to its patentability findings of fact. *See In re*

[2] The patent statutes were amended in 1975 to reflect the renaming of the "Patent Office" as the "Patent and Trademark Office" ("PTO"). 35 U.S.C. § 1 ("Historical and Statutory Notes").

[3] A new Commissioner of Patents and Trademarks, Bruce A. Lehman, was appointed in 1993. *2 Who's Who In America* (51st ed. 1997) at 2515.

Napier, 55 F.3d 610, 34 USPQ2d 1782. Thus, the Commissioner could have raised the issue of APA §706(2) applicability as early as 1946, but chose not to do so until 1993. Despite bearing the burden of persuading this Court to disregard *stare decisis* principles and change its long-standing practice, the Commissioner provides no justification or explanation for an over-45-year period of acquiescence with the non-APA-based "clearly erroneous" standard of review applied to PTO findings by both the Court of Customs and Patent Appeals (CCPA) and the Federal Circuit.

The Commissioner admits that between sixty and one hundred *ex parte* appeals are taken annually to the Federal Circuit from PTO decisions. (Petition at 2). The number of appeals taken to the CCPA may have been even greater.[4] Thus, the opportunities for raising the APA standard of review issue at an earlier date were legion. Yet in literally thousands of opportunities since the APA's passage in 1946, the Commissioner saw fit not to raise the issue until 1993. To now suddenly denominate an issue potentially ripe in a multitude of appeals but not raised for over 45 years as one of "exceptional importance" calls the Commissioner's characterization into question.

[4] *See* Testimony of Conder C. Henry, Assistant Commissioner of Patents, *Administrative Procedure: Hearings on S. 674, S. 675, and S. 918 Before A Subcomm. Of The Senate Comm. On The Judiciary*, 77th Cong., 1st Sess. 201 (1941) at 618 (testifying that 198 appeals from decisions of the Patent Office were taken to the CCPA under Section 4911 of the Revised Statutes during the fiscal year ending June 30, 1940).

C. PTO Findings Of Fact Already Receive Significant Deference

Findings of fact made by the PTO in its patentability adjudications are currently reviewed under the long-standing "clearly erroneous" standard of review, the same as that applied to findings of a trial court. *In re Kemps*, 97 F.3d at 1430, 1431 n.5, 40 USPQ2d at 1312, 1313 n.5; Fed. R. Civ. P. 52(a). Although admittedly somewhat less deferential than the "substantial evidence" standard, *see Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019, 4 USPQ2d 1283, 1284-85 (Fed. Cir. 1987), the present "clearly erroneous" standard of review is anything but unrestrained:

> Typically, however, the evidence en masse was properly admitted, probative of the central issues but in conflict. In such cases, the reviewing panel is unlikely to see "clear error" in findings or rulings unless: (1) the board or trial judge is shown to have *grossly* misanalyzed the evidence; (2) the finding or ruling is illogical or implausible; or (3) as a matter of law, the facts found are simply insufficient to support the ruling. We certainly will not reverse based merely on attorney assertion that the finding or ruling was "clearly erroneous." We need a reasoned and persuasive analysis of why.

Hon. Paul R. Michel, *Appellate Advocacy—One Judge's Point Of View*, 1 Fed. Cir. Bar. J. 1, 3 (Summer 1991) (emphasis in original). Indeed, the PTO has fared remarkably well under the current "clearly erroneous" regime—approximately 80% of its patentability determinations are affirmed on appeal by the Federal Circuit. Dunner at 154.

This is clearly not "a question of exceptional importance" and, therefore, the Petition should be denied.

IV. THE PETITION FAILS TO SHOW THAT THIS COURT ERRED BY APPLYING THE CLEARLY ERRONEOUS STANDARD

Even if the standard of review question could be considered one of "exceptional importance" under Fed. R. App. P. 35(a), the Commissioner has nevertheless failed to raise any substantial question as to the validity of this Court's long-standing rule that the "clearly erroneous" standard should apply to review of the Board's findings of fact. *See* Fed. R. App. P. 40(a). The Commissioner's arguments in favor of adopting the APA's "substantial evidence" standard and challenges to this Court's forceful reasoning in *In re Lueders* are not persuasive.

The Commissioner cites *American Paper Inst. v. American Elec. Power Serv. Corp.*, 461 U.S. 402 (1983), which involved a challenge to the Federal Energy Regulatory Commission's ("FERC") exercise of its rule-making authority, for the proposition that "when a statute that provides for review of agency action does not set forth a standard of review, the judicial review provisions of the APA apply." (Petition at 2). The Commission's attempt to bootstrap a mandatory application of APA standards of review to PTO findings from the cited portions of *American Paper* is a mischaracterization of the case's holding without reference to its facts. The *American Paper* Court merely required that the Court of Appeals review FERC's exercise of its delegated authority in promulgating the "full-avoided-cost" regulation at issue under the more lenient "arbitrary and capricious" standard of 5 U.S.C. §706(2)(A) rather than the "unsupported by substantial evidence"

standard required for formal, on the record proceedings under 5 U.S.C. §706(2)(E). *American Paper*, 461 U.S. at 412-13, 413 n.7. *American Paper* did not even approach the much more fundamental threshold question raised here, *i.e.*, whether application of *any* of the APA's §706(2) standards of review to findings of fact (in patentability adjudication, not rulemaking) is appropriate in the first instance. *See Kemps*, 97 F.3d at 1431 n.6, 40 USPQ2d at 1312 n.6 (criticizing PTO for assuming away the "key point" whether APA "should even apply to the PTO in this case").

The legislative history culminating in passage of the APA answers that question in the negative, and powerfully contradicts the PTO's literal interpretation. Historical scholarship indicates that Congress passed the APA in order to gain control over burgeoning New Deal agencies, but intended that successfully-operated, pre-existing agencies such as the Patent Office (established in 1836) be exempted. *See generally* George B. Sheperd, *Fierce Compromise: The Administrative Procedure Act Emerges From New Deal Politics*, 90 Nw. U.L. Rev. 1557 (Summer 1996) (hereafter "Sheperd"). Proposals for administrative reform first received significant Congressional interest in 1937 after the Supreme Court refused to strike down certain New Deal proposals. *Id.* at 1561. In early 1939, conservatives introduced the highly restrictive Walter-Logan bill. *Id.* at 1593-94. The Walter-Logan included a "substantial evidence" standard of review provision. *Id.* at 1602. Notably, the Patent Office (and numerous other pre-New Deal agencies) were expressly exempted from Walter-Logan. *Id.* at 1618. The Walter-Logan bill was passed by Congress but vetoed by President Roosevelt in 1940. *Id.* at 1625.

Within a few weeks of the Walter-Logan veto, the Attorney General's Committee on Administrative Procedure submitted its nearly 500-page report to Congress. *See Administrative Procedure In Government Agencies: Final Report . . .*, 77th Cong., 1st Sess., S. Doc. No. 8 (1941). The Attorney General's report ultimately resulted in enactment of the APA. 1 Jacob A. Stein et al., *Administrative Law* §1.01[4] (1997) at 1-32 (hereafter "Stein"). The report included three bills subsequently introduced into Congress. One of these, the "minority bill", S. 674, specified, *inter alia*, that reviewing courts would affirm only those agency decisions that were supported "upon the whole record, by substantial evidence." Sheperd at 1636. All three bills were extensively debated at Senate hearings, but due to wartime matters Congress took no action until 1946 when the bills were reintroduced as the compromise McCarran-Sumners Bill. 1 Stein at 1-35. The McCarran-Sumners bill with further modifications was subsequently enacted as the Administrative Procedure Act of 1946. *Id.*

Notably, the Patent Office was the sole federal agency to request exemption from the bills recommended in the Attorney General's 1941 report. Sheperd at 1638. Testifying on May 6, 1941, Conder C. Henry, Assistant Commissioner of Patents, told the Senate Judiciary subcommittee members that "[w]e accordingly strongly recommend that any bill reported out of this committee exempt by express terms the Patent Office from its main provisions." *Administrative Procedure: Hearings on S. 674, S. 675 And S. 918 Before A Subcomm. Of The Senate Comm. On The Judiciary, supra*, at 620. Henry further testified that the Patent Office had never been consulted in the preparation of the bills:

> All of these bills prima facie carry the presumption that the Attorney General's Committee made a careful investigation of the practices and procedures of each and every bureau and agency of the Federal Government in which adjudicative decisions are rendered, and that only after such investigation were these bills drafted.
>
> No such presumption should attach to the bills insofar as the Patent Office is concerned. Neither the committee nor any of its members consulted or advised with the Patent Office with respect to either of these bills [S. 674 and S. 918], and I am informed that there was no intention to do so. A[s] I have previously intimated, the majority of the committee certainly had the statutory procedure of the Patent Office in mind because they expressly excluded the Patent Office from the main provisions of S. 675. By doing so, they apparently intended those sections of the Revised Statutes governing procedures in the Patent Office, plus the provisions of the majority bill [S. 675], to govern all administrative adjudications.

Id. at 619.[5]

Post-APA enactment sources are consistent with the pre-enactment legislative history. The Department of Justice's 1947 analysis of the APA demonstrates that Congress did not intend the APA to govern review of PTO patentability determinations. *See Attorney General's Manual On The Administrative Procedure Act* (1947) at 101, n.15 ("In the Attorney General's memo-

[5] The Commissioner now correctly admits that the Patent Office was "not studied when drafting the APA." (Petition at 4 n.2).

randum to the Senate Committee, he stated that "'Courts'" includes the Tax Court, Court of Customs and Patent Appeals, the Court of Claims, and similar courts. This act does not apply to their procedure nor affect the requirement of resort thereto.' Sen. Rep. p. 38 (Sen. Doc. p. 224)."), *reprinted in* 1 Stein at App. 1C-100.

The Commissioner's literal reading is further contradicted by Congress's repeated revision of the patent laws since 1952 without ever inserting a global requirement for APA review. *See Lueders*, 111 F.3d at 1576-77, 42 USPQ2d at 1486-87 (reviewing 1962 and 1980 revisions to 1952 Act). Congress revised 35 U.S.C. §141 (Federal Circuit review of Board decisions) twice without referring to the APA: in 1982 (substituting Federal Circuit for CCPA) and 1984 (substituting Board of Patent Appeals and Interferences for Board of Patent Appeals). Other portions of the Patent Act have been revised in substantively significant fashion, *e.g.*, in 1994 (GATT/TRIPS implementation) and 1995 (Biotechnological Process Patents Act). At none of these junctures, however, was APA review of PTO findings ever incorporated into the statute, and no such legislation has yet been introduced.

Congress's addition to 1962 of the *sole* reference in Title 35 to the APA, *see* 35 U.S.C. § 135(c) (providing in connection with requirement for filing interference settlements with the PTO that "any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act") strongly supports the inference that Congress does *not* intend the APA to apply to other provisions of the Patent Act such as 35 U.S.C. §141 (Federal Circuit review of PTO Board decisions). *See* 2a

Sutherland Statutory Construction §§ 46.05 (5th ed. 1992) (requiring under the doctrine of "whole statute" interpretation that "each part or section should be construed in connection with every other part or section so as to produce a harmonious whole."), 47.23 (providing pursuant to the doctrine of *expressio unius est exclusio alterius* that where a form of conduct is specified, an inference exists that all omissions should be understood as exclusions).

The "discretionary action" mentioned in 35 U.S.C. §135(c) most likely refers to exercise of the Commissioner's authority to grant leave to file a settlement agreement out of time for good cause shown. *See* S. Rep. 2169, 1962 *U.S.C.C.A.N.* 3286, 3289 (letter of Acting Deputy Attorney General Katzenbach suggesting Commissioner be given such authority "[i]n order to protect innocent parties who inadvertently fail to file a copy of their settlement agreement . . ."). That Congress designated such ministerial, fairness-based decisions as reviewable under the APA in no way suggests or implies that Congress intended similarly heightened deference for PTO patentability findings.

The Commissioner, therefore, has failed to present any significant challenge to the legal and policy foundations supporting this Court's long-standing application of the "clearly erroneous" standard of fact findings of the Board. There is no reason, therefore, for the Court to hear this issue *in banc* and the Petition should be denied.

CONCLUSION AND STATEMENT OF RELIEF SOUGHT

For the reasons set forth above, Appellants respectfully request that the Court deny the Commissioner's petition for rehearing and suggestion for rehearing *in*

banc and remand this case to the PTO for disposition not inconsistent with the Court's April 15, 1997 decision in *In Re Zurko*, 111 F.3d 887, 42 USPQ2d 1476.

Respectfully submitted,

/s/ A. SIDNEY JOHNSTON

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In the Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS
AND TRADEMARKS, PETITIONER

v.

MARY E. ZURKO, ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE PETITIONER

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QUESTION PRESENTED

Section 12 of the Administrative Procedure Act (APA), now revised and reenacted as 5 U.S.C. 559, provided that the Act did not "limit or repeal additional requirements imposed by statute or otherwise recognized by law." The question presented in this case is:

Whether a standard of judicial review more stringent than that specified by the APA, purportedly used by courts before the adoption of that Act in reviewing factual findings made by a particular agency, is an "additional requirement[] * * * otherwise recognized by law" within the meaning of Section 559.

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In the Supreme Court of the United States

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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The opinion of the court of appeals sitting en banc (Pet. App. 1a-27a) is reported at 142 F.3d 1447. The earlier opinion of a panel of that court (Pet. App. 28a-34a) is reported at 111 F.3d 887. The opinions of the Board of Patent Appeals and Interferences (Pet. App. 35a-45a) are unreported.

JURISDICTION

The judgment of the court of appeals was entered on May 4, 1998. On July 24, 1998, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including September 1, 1998. The petition for a writ of certiorari was filed on August 31,

1998, and was granted on November 2, 1998. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

1. Section 12 of the original Administrative Procedure Act (APA), ch. 324, 60 Stat. 244 (1946), provided as follows:

CONSTRUCTION AND EFFECT

> **Sec. 12.** Nothing in this Act shall be held to diminish the constitutional rights of any person or to limit or repeal additional requirements imposed by statute or otherwise recognized by law. Except as otherwise required by law, all requirements or privileges relating to evidence or procedure shall apply equally to agencies and persons. If any provision of this Act or the application thereof is held invalid, the remainder of this Act or other applications of such provision shall not be affected. Every agency is granted all authority necessary to comply with the requirements of this Act through the issuance of rules or otherwise. No subsequent legislation shall be held to supersede or modify the provisions of this Act except to the extent that such legislation shall do so expressly. This Act shall take effect three months after its approval except that sections 7 and 8 shall take effect six months after such approval, the requirement of the selection of examiners pursuant to section 11 shall not become effective until one year after such approval, and no procedural requirement shall be mandatory as to any agency proceeding initiated prior to the effective date of such requirement.

2. Section 559 of Title 5 of the United States Code (drawn from Section 12 of the APA) provides in pertinent part as follows:

§ 559. Effect on other laws; effect of subsequent statute

> This subchapter, [and] chapter 7 * * * of this title, * * * do not limit or repeal additional requirements imposed by statute or otherwise recognized by law. Except as otherwise required by law, requirements or privileges relating to evidence or procedure apply equally to agencies and persons. Each agency is granted the authority necessary to comply with the requirements of this subchapter through the issuance of rules or otherwise. Subsequent statute may not be held to supersede or modify this subchapter, [or] chapter 7 * * * of this title, * * * except to the extent that it does so expressly.

3. Section 701 of Title 5 of the United States Code (drawn from Sections 2 and 10 of the APA) provides in pertinent part as follows:

§ 701. Application; definitions

> (a) This chapter applies, according to the provisions thereof, except to the extent that—
>
> (1) statutes preclude judicial review; or
>
> (2) agency action is committed to agency discretion by law.
>
> (b) For the purpose of this chapter—
>
> (1) "agency" means each authority of the Government of the United States, whether or

not it is within or subject to review by another agency, but does not include—

(A) the Congress;

(B) the courts of the United States;

(C) the governments of the territories or possessions of the United States;

(D) the government of the District of Columbia;

(E) agencies composed of representatives of the parties or of representatives of organizations of the parties to the disputes determined by them;

(F) courts martial and military commissions;

(G) military authority exercised in the field in time of war or in occupied territory; or

(H) functions conferred by sections 1738, 1739, 1743, and 1744 of title 12; chapter 2 of title 41; subchapter II of chapter 471 of title 49; or sections 1884, 1891-1902, and former section 1641(b)(2), of title 50, appendix[.]

* * * * *

4. Section 706 of Title 5 of the United States Code (drawn from Section 10(e) of the APA) provides as follows:

§ 706. Scope of review

To the extent necessary to decision and when presented, the reviewing court shall decide all rele-

vant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be—

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

STATEMENT

1. The Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, Cl. 8. Congress has in turn provided that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor." 35 U.S.C. 101. To administer the patent system, Congress has established, within the Department of Commerce, a Patent and Trademark Office (PTO), which operates under the direction and superintendence of the Secretary of Commerce and petitioner, the Commissioner of Patents and Trademarks. See 35 U.S.C. 1, 6, 131.

An inventor who seeks to patent an alleged invention must file with petitioner an application containing a "specification," which sets out "a written description of the invention * * * in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains * * * to make and use the same." 35 U.S.C. 111(a)(2), 112. The PTO then refers the application to a patent examiner attached to an "art unit" that specializes in matters involving the particular technology or "art" involved. See U.S. Dep't of Commerce, Patent & Trademark Office, *Manual of Patent Examining Procedure* (MPEP) § 903.08(a) (7th ed., rev. July 1998). It is the examiner's job to determine, in the first instance, whether the claimed invention is properly described in the specification and meets all of the requirements for patentability, including that there be sufficient "differences between the subject matter

sought to be patented and the prior art * * * that the subject matter as a whole would [not] have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. 103(a) (Supp. II 1996), 131; see also 35 U.S.C. 102, 112 (other requirements).

Patent applications and examination proceedings are generally held in confidence between the applicant and the PTO, until such time as a patent is issued. See 35 U.S.C. 122. While examiners make an independent assessment of the prior art relevant to the examination (see, *e.g.*, 37 C.F.R. 1.104(a)), they also rely on applicants to bring relevant references to their attention. The PTO's regulations impose on "[e]ach individual associated with the filing and prosecution of a patent application" a general duty of "candor and good faith in dealing with the Office," which includes a duty "to disclose to the Office all information known to that individual to be material to patentability." 37 C.F.R. 1.56(a).

If the examiner determines that the applicant is entitled to a patent, then petitioner will normally issue the requested patent in the ordinary course. 35 U.S.C. 131. If the examiner concludes that the applicant is not entitled to a patent with respect to one or more of the submitted claims, or that the application is subject to particular objections or requirements, the PTO notifies the applicant, stating "the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application." 35 U.S.C. 132; see 37 C.F.R. 1.104(a)(2). The applicant is then afforded an opportunity to respond, including by amending the application to address the examiner's concerns (but without adding new matter to

the application). 35 U.S.C. 132; 37 C.F.R. 1.111-1.112. On the second (or any subsequent) examination of the application, the examiner may declare that a rejection or other adverse action is "final." See 37 C.F.R. 1.112-1.113; MPEP § 706.07.

If any of an applicant's claims is twice or finally rejected by an examiner, the applicant may appeal to the Board of Patent Appeals and Interferences. 35 U.S.C. 134; 37 C.F.R. 1.191. The Board consists of petitioner, the Deputy Commissioner and Assistant Commissioners of Patents and Trademarks, and a number of "examiners-in-chief," who are "persons of competent legal knowledge and scientific ability * * * appointed to the competitive service." 35 U.S.C. 7(a).[1] The Board ordinarily acts through panels of three members, and decides appeals on the basis of written submissions (and sometimes oral argument) by or on behalf of the applicant and the examiner. 35 U.S.C. 7(b); 37 C.F.R. 1.192-1.194.

An applicant who is "dissatisfied" with the Board's decision on an appeal may seek review of that decision in the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141; see also 28 U.S.C. 1295(a)(4)(A); 37 C.F.R. 1.301. Petitioner then certifies the administrative record to that court. 35 U.S.C. 143. If, as is usually the case, there is no adverse private party, petitioner must also "submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all the issues involved in the appeal." *Ibid.* The court then reviews the Board's decision "on the record before the Patent and Trademark Office."

[1] Examiners-in-Chief are generally known administratively as "Administrative Patent Judges." See 1156 Official Gazette Pat. Off. 32 (Nov. 9, 1993); Pet. App. 35a.

35 U.S.C. 144. Review concludes when the court "issue[s] to [petitioner] its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case." *Ibid.*[2]

2. Respondents applied for a patent in February 1990, claiming that they had invented a method of improving security in computer systems that include both "trusted" and "untrusted" computing environments. Pet. App. 28a-29a & n.1, 38a n.1; J.A. 5-66 (specification).[3] Respondents acknowledged that the existing UNIX operating system had previously taught the feasibility of having an "untrusted" program "pars[e] a command [such as a user keyboard entry] and then execut[e] the command by calling a trusted service that executes in a trusted computing environment." Pet. App. 30a; J.A. 70 (information disclosure statement). They also acknowledged that another existing program, FILER2, had taught the mechanism of "repeat[ing] back potentially dangerous user commands

[2] A dissatisfied applicant who does not wish to seek review in the court of appeals on the basis of the administrative record may instead file suit against the Commissioner in the United States District Court for the District of Columbia. 35 U.S.C. 145. By seeking review in the court of appeals respondents waived their right to proceed under that alternative provision, which is therefore not directly at issue in this case. 35 U.S.C. 141; see also 28 U.S.C. 1295(a)(4)(A).

[3] The specification filed with respondents' original application, which contains a detailed explanation of the claimed invention, is reprinted, for the Court's convenience, at pages 5-66 of the Joint Appendix. Respondents submitted two amendments to the original specification as part of the examination process. J.A. 72, 79 The final version of the central claim at issue in this case is reprinted in the panel opinion of the court of appeals, Pet. App. 29a n.1.

and request[ing] confirmation from the user prior to execution." Pet. App. 30a; J.A. 69. Respondents claimed a patentable invention in the processing of a "trusted" command in an "untrusted" environment, relaying the parsed command to a trusted environment, and then having the trusted portion of the system seek user verification, over a trusted pathway, before executing the command. See Pet. App. 29a.

After a preliminary narrowing of the claims at issue (see Pet. App. 39a & n.2), the patent examiner rejected respondents' patent application. The examiner determined both that respondents' remaining claims were not stated with the specificity necessary to satisfy 35 U.S.C. 112, and that respondents were not entitled to a patent because the claimed invention was "obvious" within the meaning of 35 U.S.C. 103 (1994). See Pet. App. 40a.

Respondents appealed the examiner's decision to the Board. The Board rejected the examiner's conclusion that respondents' claims were not properly specified (Pet. App. 42a-43a), but it sustained the examiner's refusal to issue a patent on the ground that the claimed invention was "obvious" within the meaning of Section 103. The Board agreed with the examiner that it was proper to read the two cited instances of prior art in conjunction, and that one ordinarily skilled in the relevant art "would have been led from these teachings to take the trusted command parsed in the untrusted environment and submitted to the trusted computing environment, as taught by UNIX, and to display the parsed command to the user for confirmation prior to execution, as suggested by [FILER2]." Pet. App. 43a.

The Board rejected respondents' argument that the use of a trusted (rather than untrusted) path to seek and receive verification from the user before executing

the command involved a non-obvious advance over the prior art. Pet. App. 44a-45a. Rather, the Board concluded, "[c]ommunication in a trusted environment would normally be assumed, by artisans, to be over trusted paths," so that the use of such a path for verification, in a system designed to ensure security, was, "if not explicit," then "either inherent or implicit" in the prior art. *Id.* at 44a.[4]

3. Respondents sought review of the Board's decision in the United States Court of Appeals for the Federal Circuit, as permitted by 35 U.S.C. 141. A panel of that court concluded that the Board's decision should be reversed. Pet. App. 28a-34a. The court proceeded on the premise that "[o]bviousness is a legal question based on underlying factual determinations" (*id.* at 31a), and that "[w]hat a [prior-art] reference teaches and whether it teaches toward or away from the claimed invention are questions of fact" (*id.* at 32a). Reviewing the references cited by the Board, the court determined that "neither UNIX nor FILER2 teaches communicating with the user over a trusted pathway." *Id.* at 33a. Concluding that the Board had "impermissibly used hindsight" in evaluating respondents' claimed invention, the court held that "the Board's finding that the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway" was "clearly erroneous." *Id.* at 32a; see also *id.* at 33a.

The panel opinion noted petitioner's argument that the court "should review findings by the Board using a more deferential standard as required by the Administrative Procedure Act, 5 U.S.C. § 706(2) (1994)." Pet.

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[4] At respondents' request, the Board reconsidered this portion of its decision. After doing so, however, it adhered to its original reasoning and conclusions. Pet. App. 35a-37a.

App. 32a n.2. Although the panel indicated that, in light of Federal Circuit precedent, "[o]nly the court sitting in banc [could] answer the question of whether a different standard of review of the Board's findings should apply," it observed that en banc rehearing might be appropriate where, as in this case, a panel of the court had already determined that the Board's decision would be reversed under a non-APA standard of review. *Ibid.*

4. The full court of appeals, "[c]oncluding that the outcome of this appeal turns on the standard of review used by th[e] court to review board fact finding," accepted petitioner's suggestion that it rehear the case en banc to consider whether the Board's factual findings should be reviewed "under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous' standard." Pet. App. 2a. After considering the matter, the court determined that it would adhere to what it viewed as traditional practice, rather than apply the standards prescribed by the APA. *Id.* at 1a-27a.

The court first noted that the APA's "substantial evidence" standard for reviewing agency factual findings, 5 U.S.C. 706(2)(E), would "require that we review board decisions on their own reasoning." Pet. App. 3a. The court's "clear error" standard, by contrast, dictates affirmance "as long as we lack a definite and firm conviction that a mistake has been made"—a determination that "requires us to review board decisions on our reasoning." *Ibid.* Thus, in the court of appeals' view, its standard of review differed from those prescribed by the APA "both in character and [in] the amount of deference they contemplate." *Ibid.*

After discussing the history and general purposes of the APA (Pet. App. 4a-9a), the court noted that the Patent and Trademark Office had been the subject of

specific attention during the APA's drafting and enactment (*id.* at 7a-9a). Although it acknowledged that Congress had specifically contemplated exempting the work of the Patent Office from the purview of the Act, but ultimately did not do so, the court interpreted the history of the Act as "suggest[ing] that Congress drafted the APA to apply to agencies generally, but that * * * [it] did not intend the APA to alter the review of substantive Patent Office decisions" by the courts. *Id.* at 9a. The court construed 5 U.S.C. 559, which was drawn from the final Section of the APA as originally enacted and provides that the Act "do[es] not limit or repeal additional requirements imposed by statute or otherwise recognized by law," as "preserving those standards of judicial review that had evolved as a matter of common law [before the APA's enactment in 1946], rather than compelling that all such standards of review be displaced by the [APA]." Pet. App. 9a-10a.

The court then reviewed at some length the history of the patent laws, including the various mechanisms historically provided for administrative and judicial review of decisions to grant or deny patents. Pet. App. 11a-23a. On the basis of its review, the court observed that no patent statute has ever spoken explicitly to the standard of review to be used by courts in reviewing administrative decisions in patent cases, but that "the common law recognized several standards prior to 1947, including clear error and its close cousins." *Id.* at 22a-23a. On that basis, the court held that the "more searching clear error standard of review" that it has applied in lieu of the APA's "substantial evidence" standard "is an 'additional requirement' that was 'recognized' in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559." *Id.* at 23a.

The court found additional support for its holding in the principle of stare decisis. Pet. App. 23a-26a. Having concluded that there had been a "settled practice of reviewing factual findings of the board's patentability determinations for clear error," the court held that its "interpretation of section 559 * * * permit[ted]" it to continue that practice, "because no statute speaks directly to a required standard, and review for clear error was certainly recognized in the cases—though perhaps not exclusively or intentionally—before 1947." *Id.* at 25a.

The court added that use of a non-APA standard was "justif[ied]" by "the premises underlying review for clear error": "By making it clear that we review factual findings for clear error, and thereby review board decisions on our own reasoning, we hope the board understands that we are more likely to appreciate and adopt reasoning similar to its reasoning when it is both well articulated and sufficiently founded on findings of fact." Pet. App. 25a. The court thus hoped, through its choice of standard, to "encourage administrative records that more fully describe the metes and bounds of the patent grant than would a more deferential standard of review." *Ibid.* Finally, the court noted its belief that use of the "clearly erroneous" standard would "preserve the confidence of inventors who have relied on this standard in prosecuting their patents," "promote consistency between [the court's] review of the patentability decisions of the board and the district courts in infringement litigation," and "help avoid situations where board fact finding on matters such as anticipation or the factual inquiries underlying obviousness become virtually unreviewable." *Id.* at 26a.

Having concluded that "section 559 and *stare decisis* together justify our continued application of [a] heightened level of scrutiny to decisions by the board," the full court ratified the holding of the original panel that had applied such a standard and had reversed the Board's decision in this case. Pet. App. 27a.

SUMMARY OF ARGUMENT

The provisions of the Administrative Procedure Act now embodied in Title 5 of the United States Code provide a generally applicable framework for proceedings seeking judicial review of "agency action." By their terms, those provisions apply to the Federal Circuit's review of a decision by the Board of Patent Appeals and Interferences to reject a patent application. No patent statute specifies a standard of judicial review to be used in such a case; and this Court has made clear that, in the absence of any such specific statutory directive, the agency's decision is to be reviewed under the standards prescribed by the APA and now codified at 5 U.S.C. 706. Nothing in the APA authorizes the Federal Circuit to apply any level of scrutiny more stringent than the "substantial evidence" standard set out in 5 U.S.C. 706(2)(E).

The court of appeals sought to justify its adoption of a "more searching" standard of review in patent cases (Pet. App. 10a, 23a) on the ground that application of a "heightened" standard (*id.* at 27a) of the sort purportedly recognized by the common law before 1947 is an "additional requirement[] * * * otherwise recognized by law" within the meaning of what is now 5 U.S.C. 559. The language of Section 559—which originated as the final section of the original APA, dealing with matters of "construction and effect"—does not support that construction. First, one would not ordinarily think of a standard of judicial review as a "requirement" within the meaning of Section 559. Second, even if it were a

"requirement" for these purposes, the court of appeals' "clear error" standard would be an "inconsistent" requirement, not an "additional" one. Third, the statutory context counsels against the court of appeals' expansive construction of the "additional requirements" language. That language is more naturally read simply to preserve preexisting legal requirements with respect to matters not addressed by the APA itself, or to refer to informational, rulemaking, or hearing requirements that augment those specified in the APA's own core provisions. Neither of those constructions authorizes the adoption of a standard of judicial review different from that prescribed by the APA itself.

The limited legislative history dealing specifically with the provision that is now Section 559 sheds little light on the question presented in this case. Two aspects of the statute's history that do not relate directly to Section 559 are, however, particularly illuminating for present purposes. First, the history demonstrates that Congress specifically considered the nature of patent proceedings and the role of the PTO, but enacted the APA without excepting the PTO from the judicial review provisions of the Act. Second, it is clear that those drafting legislation for the reform of administrative procedure expressly considered prescribing the "clearly erroneous" standard for review of agency factual determinations, but then rejected that idea. These aspects of the legislative record converge to support the conclusion that the court of appeals erred in interpreting Section 559 to permit application of the "clear error" standard in proceedings involving the PTO.

The non-statutory rationales articulated by respondents and the court of appeals in support of the judgment below are irrelevant in light of the clear terms of

the governing statute, and provide no persuasive justification for departing from the usual rules of APA review. Prior decisions of the court of appeals and its predecessors, on which it the court placed considerable reliance as a matter of stare decisis, did not adopt a clear standard of review different from that prescribed by the APA, and could not, in any event, have any preclusive effect in this Court; and there is no precedent in this Court on the standard of review that should be used in direct appeals from PTO decisions denying patent applications. To the extent that use of the APA's substantial-evidence standard on direct review is inconsistent with the use of a clear-error standard in reviewing factual findings made by district courts in patent cases, the inconsistency flows from the different nature of the proceedings and the different statutory provisions that govern review by the courts of appeals in each type of case. And the complex and specialized nature of patent proceedings, far from supporting the court of appeals' decision here, in fact makes doubly plain why it is inappropriate for an appellate court to apply "heightened scrutiny" to the factual determinations made by a quintessentially expert administrative agency.

Finally, in rendering its decision, the court of appeals candidly acknowledged that it would apply such a heightened standard of review for the stated purpose of preserving its ability "to review [PTO] board decisions on [the court's] own reasoning," rather than on the Board's. Pet. App. 3a. That acknowledgment reflects the court's recognition that under the APA it would, to the contrary, be required to review the Board's decisions on the Board's reasoning, an approach that "differ[s] both in character and [in] the amount of deference [it] contemplate[s]." *Ibid.* A court exceeds the proper

bounds of statutory review, however, when it interferes, to any greater extent than is specifically authorized by the APA (or some other applicable statute), with an administrative agency's discharge of the responsibilities that have been delegated to the agency by Congress. Congress has created a comprehensive scheme for the examination of patent applications, and the grant or denial of patents, by a specialized administrative agency. The expert judgments of that agency on matters within its jurisdiction should be subject to judicial review only within the specific and limited bounds prescribed by Congress for the review of administrative action under the APA.

ARGUMENT

THE STANDARDS OF REVIEW PRESCRIBED BY THE ADMINISTRATIVE PROCEDURE ACT APPLY TO THE FEDERAL CIRCUIT'S REVIEW OF DECISIONS OF THE BOARD OF PATENT APPEALS AND INTERFERENCES

A. The APA Applies By Its Terms To Review Of PTO Actions, Including Decisions Rendered By The Board

The provisions of the Administrative Procedure Act now embodied in Title 5 of the United States Code provide a generally applicable framework for proceedings seeking judicial review of "agency action." See 5 U.S.C. 702. The term "'agency action' includes the whole or a part of an agency * * * order, * * * relief, or the equivalent or denial thereof," and "relief" includes any agency "recognition of a claim, right, * * * [or] privilege * * * [or the] taking of other action on the application or petition of, and beneficial to, a person." 5 U.S.C. 551(11)(B) and (C), 551(13), 701(b)(2). With exceptions not relevant here, the term "agency"

includes "each authority of the Government of the United States, whether or not it is within or subject to review by another agency." 5 U.S.C. 701(b)(1). By their terms, these provisions apply to the Federal Circuit's review of a decision by the Board of Patent Appeals and Interferences to reject a patent application. See 35 U.S.C. 1 (establishing PTO within the Department of Commerce); 35 U.S.C. 7 (constituting Board); 35 U.S.C. 131-134 (administrative examination of applications and issuance or denial of patents); 35 U.S.C. 141-144 (review of Board decisions in the Federal Circuit); see also *Singer Co.* v. *P.R. Mallory & Co.*, 671 F.2d 232, 236 n.7 (7th Cir. 1982) (PTO falls within APA definition of "agency"); 5 U.S.C. 704 ("[a]gency action made reviewable by statute" is subject to judicial review); Pet. App. 2a, 8a-9a, 21a-22a, 26a (acknowledgment by the en banc court that the APA generally applies to the PTO); Resp. Br. in Opp. 8 n.3 (conceding that the PTO and the Board are generally subject to the APA).

The APA provides that "[t]he form of proceeding for judicial review is the special statutory review proceeding relevant to the subject matter in a court specified by statute." 5 U.S.C. 703. As we have explained (see p. 8, *supra*), 35 U.S.C. 141 specifically permits a patent applicant who is "dissatisfied" with a decision of the PTO's Board to seek review of that decision in the Federal Circuit. The statute further requires petitioner to certify the administrative record to that court and to submit a brief defending the Board's decision. 35 U.S.C. 143. The court then reviews that decision "on the record before the Patent and Trademark Office," and its ultimate decision is "entered of record in the [PTO]" and thereafter "govern[s] the further [administrative] proceedings in the case." 35 U.S.C. 144. It

would have been difficult for Congress to make any clearer provision for the sort of "special statutory review proceeding" to which 5 U.S.C. 703 refers.

As the court of appeals noted in this case, "no patent statute speaks explicitly to the *standard* to be used when reviewing decisions of the board." Pet. App. 22a (emphasis added). The absence of a specified standard does not, however, authorize the Federal Circuit to adopt whatever standard of review it deems appropriate based on its own views of sound judicial, administrative, or patent policy. This Court has made clear that, "[i]n the absence of a specific command in [a relevant statute] to employ a particular standard of review" of administrative action, that action "must be reviewed solely under the * * * standard prescribed by the Administrative Procedure Act." *American Paper Inst.* v. *American Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983); see also *Steadman* v. *SEC*, 450 U.S. 91, 95-97 & n.9 (1981); *Citizens to Preserve Overton Park* v. *Volpe*, 401 U.S. 402, 413-414 (1971); cf. *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-549 (1978) (court may not impose, on policy grounds, rulemaking procedures beyond those required by the APA or another applicable statute); compare Pet. App. 25a-26a.

Under the APA, the Federal Circuit may "set aside" the Board's "action, findings, and conclusions" if they were "'arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law' or if [they] failed to meet statutory, procedural, or constitutional requirements." *Citizens to Preserve Overton Park*, 401 U.S. at 413-414 (quoting 5 U.S.C. 706(2)(A)-(D)). The PTO has, moreover, previously conceded that the Board's decisions are "reviewed on the record of an agency hearing provided by statute" within the meaning of 5 U.S.C. 706(2)(E), and are therefore subject to the somewhat more searching "substantial evidence" standard prescribed by that Section. See 35 U.S.C. 7(b), 134, 144 (court of appeals reviews Board's decision "on the record before the" PTO); see also *American Paper*, 461 U.S. at 412 n.7 (distinguishing substantial-evidence review from "the more lenient arbitrary-and-capricious standard"); *Farmers Union Cent. Exch., Inc.* v. *FERC*, 734 F.2d 1486, 1499 n.39 (D.C. Cir.) (discussing standard applicable when judicial review is limited to agency record but the agency is not required to hold a formal APA hearing), cert. denied, 469 U.S. 1034 (1984). Nothing in the APA, however, authorizes the Federal Circuit to subject the Board's decisions to the "heightened level of scrutiny" (Pet. App. 27a) that that court has elected to apply.

B. The "Additional Requirements" Language Of 5 U.S.C. 559 Does Not Authorize The Imposition Of A Non-APA Standard Of Judicial Review In Cases Challenging The Administrative Denial Of A Patent Application

The court of appeals sought to justify its adoption of a "more searching" standard of review in patent cases, "free[d]" from the otherwise applicable limits of the APA, on the ground that such a "heightened" standard is an "additional requirement[] * * * otherwise recognized by law" within the meaning of 5 U.S.C. 559. See Pet. App. 5a, 9a-10a, 22a-23a, 26a-27a. The court reasoned that, by providing that the APA would not "limit or repeal" such "additional requirements," Congress intended to "preserv[e] those standards of judicial review that had evolved as a matter of common law," to the extent they were more stringent than those provided in the new Act. *Id.* at 9a-10a. Because "the common law recognized several standards [of review in

patent cases] prior to 1947, including clear error and its close cousins," the court concluded that what is now Section 559 authorized it to continue to apply some such standard if it chose to do so. *Id.* at 22a-23a, 26a-27a.

Section 559 cannot bear the weight that the court of appeals sought to place upon it. It is based on Section 12 (the final section) of the original Act, entitled "Construction and Effect," the first sentence of which provided: "Nothing in this Act shall be held to diminish the constitutional rights of any person or to limit or repeal additional requirements imposed by statute or otherwise recognized by law." Administrative Procedure Act, ch. 324, § 12, 60 Stat. 244 (1946) (*reprinted at* p. 2, *supra*). Nothing in the placement or general tenor of Section 12—other provisions of which deal with such matters as severance, effective dates, and the grant of general regulatory authority to comply with the Act—suggests that its preservation of existing "additional requirements" was intended to authorize important *exceptions* to the rules and standards explicitly prescribed by the Act itself.

Nor does the language from Section 12 that has been carried over into present-day Section 559 support the court of appeals' conclusion in this case. First, one would not ordinarily think of a standard of judicial review as a "requirement[]" within the meaning of Section 559. Unlike the information, rulemaking, and administrative adjudication provisions at the core of the APA, see 5 U.S.C. 552-557 (1994 & Supp. II 1996), a standard of judicial review does not obligate an agency (or a member of the public who seeks or opposes administrative action) to take any action or follow any particular procedure. While it is true that Section 706 prescribes particular standards to be used by courts in reviewing agency action—in some sense a statutory

"requirement," which the government seeks to enforce in this case—the APA was primarily concerned, as its name makes clear, with articulating uniform minimum "requirements" of *administrative* procedure. See APA §§ 3-9, 60 Stat. 238-243; 5 U.S.C. 552-558 (1994 & Supp. II 1996) (current embodiment of same APA provisions). The court of appeals' construction of the term "requirements" in Section 559 to include the standards of *judicial* review prescribed by Section 706 is at best strained.

Second, even if one assumes that the applicable standard of judicial review is a "requirement[]" for purposes of Section 559, the court of appeals' "clear error" standard would not be a requirement "additional" to the substantial-evidence standard prescribed by the APA. The word "additional" means "supplementary," and would typically refer to "added" obligations. In the context of judicial review, however, the court would equate the statutory term with "more rigorous." That analysis confuses an "additional" requirement with an *inconsistent* one. An "additional" requirement could, for example, presumably be "added" to a list of the "requirements" applicable to a given agency. If, however, such a list contained a "requirement" of "judicial review under a 'substantial evidence' standard," then one could not simply append to the list "and judicial review for 'clear error.'"[5] The substitution of one standard of review for the other does not come within the terms of Section 559.

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[5] Compare, for example, a list stating that all agencies must publish or make available copies of all "final" opinions and orders (see 5 U.S.C. 552(a)(2)(A)), to which could be "added" a requirement that a particular agency also make available interim, tentative, or interlocutory recommendations, decisions, or orders.

Third, the immediate statutory context of the "additional requirements" language counsels against the court of appeals' expansive construction. The admonishment, for example, contained in the same sentence in the original Section 12, 60 Stat. 244, that nothing in the APA "shall be held to diminish the constitutional rights of any person," suggests more a desire to provide some hortatory reassurance that the public rights provided by the Act were not intended to diminish other rights than any intention to limit application of the plain terms of other provisions of the Act. The references, in subsequent sentences in the same Section, to "requirements" in the context of evidentiary matters and regulatory authority plainly refer to requirements made applicable to the administrative process by the Act, not to requirements imposed on reviewing courts. And the provision (*ibid.*) that "subsequent legislation" should not be held to "supersede or modify" the provisions of the Act unless it does so "expressly" indicates an intention that the rules and standards explicitly set out in the Act should establish a common and permanent framework for administrative action—not one subject to casual or inferred variation.

The express-modification requirement that remains in the last sentence of Section 559 further suggests that, even if a standard of judicial review could in some circumstances be an "additional requirement[]," the court of appeals would have erred in holding that the "clearly erroneous" standard it adopted was "recognized by law" within the meaning of Section 559. At a mimimum, a non-statutory "requirement[]" should not be deemed "recognized" for purposes of preservation unless it was so well established that it could fairly be compared with a requirement "imposed by statute" before the enactment of the APA, or one "expressly"

modifying or superseding it thereafter. Even the court of appeals acknowledged, however, that "[i]t would be disingenuous to suggest that the courts employed a uniform standard of review prior to 1947," and concluded only that "the common law recognized several standards prior to 1947, including clear error and its close cousins." Pet. App. 11a, 22a-23a; see also *id.* at 15a ("Asked to report one common law standard of review used by the courts vested with appellate jurisdiction over factual findings from the Patent Office, the cases author no clear answer. Their language is too ambiguous[.]"); D. Dunner et al., *Court of Appeals for the Federal Circuit: Practice & Procedure* § 6.04, at 6-49 to 6-52 (1995) (discussing various standards employed by the former Court of Customs and Patent Appeals). Under those circumstances, even the court's construction of the term "additional requirements" should not have allowed it to conclude that the "clear error" standard was so clearly "recognized by law" as to override the contrary terms of the APA.

In sum, the court of appeals' construction of Section 559 overreads a minor and general provision of the Act in a way that contradicts a central and specific provision. The statutory language provides no warrant for that result. The "additional requirements" language of Section 559 would be more naturally read to preserve preexisting legal "requirements" with respect to matters not addressed by the APA itself—that is, to preclude any claim that the APA, once enacted, had so occupied the field of administrative law as to impliedly repeal any related requirement not included within its own terms.[6] Alternatively (or in addition), it might be

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[6] See H.R. Rep. No. 1980, 79th Cong., 2d Sess. 47 (1946) (Original Section 12 "merely provides formal matters of construction and

read to refer to informational, rulemaking, or hearing requirements greater than or supplementary to those specified in the APA's own core provisions, which were intended to specify a new "outline of minimum essential rights and procedures" governing agencies' own administrative operations.[7] That appears to be the construction implicitly adopted by this Court in *United States* v. *Florida East Coast Railway*, 410 U.S. 224, 238 (1973), which held that, although the Interstate Commerce Act did not require formal rulemaking proceedings of the sort that would be governed by the APA's hearing provisions (5 U.S.C. 556-557), the enactment of the APA did not displace the preexisting statutory requirement that the Interstate Commerce Commission act only "after [a] hearing" of a more limited sort.[8] Under neither of those plausible constructions, however, would a standard of judicial review *different* from that specified in the APA itself be considered an "additional requirement[]."[9]

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effect. * * * Any *inconsistent* agency action or statute is in effect repealed." (emphasis added)); *SEC* v. *Morgan, Lewis & Bockius*, 113 F. Supp. 85, 90-91 (E.D. Pa.) (rejecting argument that APA "covers the entire field of practice before federal administrative agencies" and thereby impliedly repealed a preexisting statutory provision requiring the filing of information statements by attorneys in certain cases), aff'd, 209 F.2d 44, 48 (3d Cir. 1953).

[7] H.R. Rep. No. 1980, *supra*, at 16; see also *ibid.* ("Agencies may fill in details [of the 'outline'], so long as they publish them.").

[8] *Florida East Coast Railway* is the only decision of which we are aware in which this Court has relied on the "additional requirements" language of Section 559.

[9] A non-APA standard of review specified by a particular statute would presumably govern in proceedings under that statute, whether it was more stringent or more lax than those set out in 5 U.S.C. 706. See, *e.g.*, *American Paper Inst.*, 461 U.S. at 412 n.7 (APA standard to be applied "[i]n the absence of a specific

C. The History And Purposes Of The APA Support A Straightforward Reading Of Section 559

There is little legislative history that deals specifically with Section 12 of the original APA, and what there is sheds little light on the question presented in this case. What history exists, however, supports a limited construction of the "additional requirements" language in Section 559.

The House Judiciary Committee's report on the final bill explains, for example, that Section 12

> merely provides formal matters of construction and effect. Except as it expands or defers the prior sections of the bill, it supplies mainly the time of taking effect of the several provisions of the bill. Otherwise the earlier provisions are operative according to their terms. Any inconsistent agency action or statute is in effect repealed. No agency action taken or refused would be lawful except as done in full compliance with all applicable provisions of the bill and subject to the judicial review provided. No agreed waiver of its provisions would suffice unless entirely voluntary and without any manner or form of coercion.

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command in [the relevant statute] to employ a particular standard of review"). That result does not depend, however, on Section 559's "additional requirements" language. Such a provision would embody, not an "additional requirement[]" of review, but an inconsistent direction concerning the manner in which review should be conducted. The inconsistency would be resolved in accordance with ordinary principles of statutory construction, including the principle that a more specific enactment normally controls rather than a more general one—according due weight to Section 559's separate instruction that a later enactment should not be held to "supersede or modify" the APA "except to the extent that it does so expressly." 5 U.S.C. 559.

H.R. Rep. No. 1980, *supra*, at 47; see also *id.* at 28 (diagram). The Attorney General similarly advised Congress, during its consideration of the legislation, that "[t]he first sentence of section 12 [was] intended simply to indicate that the act will be interpreted as supplementing constitutional and legal requirements imposed by existing law." U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act*, App. B, at 139 (1947) (reprinting letter and attachment submitted to Congress). These and similar scattered statements tend primarily to confirm that Section 12 was viewed as a technical provision, confirming the survival of preexisting rights *not inconsistent* with the new Act, but not designed as a substantive limitation that would keep the substantive provisions of the Act —including those relating to judicial review—from being "operative according to their terms." H.R. Rep. No. 1980, *supra*, at 47.[10]

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[10] See also *Attorney General's Manual*, *supra*, at 7 ("No chapter as such is being devoted to either section 2 (definitions) or to section 12 (construction and effect) for the reason that by themselves they have little meaning except in connection with the functional aspects of the Act."); *Administrative Procedure Act: Legislative History*, S. Doc. No. 248, 79th Cong., 2d Sess. 335 (1946) (reprinting article inserted in congressional record during floor debate, summarizing proposed legislation: "[T]he concluding section of the proposed act, includes the usual provisions respecting the construction and effect of the act and certain other technical matters."); *id.* at 324 (floor statement of Senator McCarran, summarizing the bill: "Section 12 relates to the construction and effect of the bill. It provides that nothing in the bill is to diminish constitutional rights or limit or repeal additional requirements of law."); *id.* at 371 (floor statement of Congressman Walter, summarizing the bill: "The final section of the bill provides that nothing in it is to diminish constitutional or other legal rights, that requirements of evidence and procedure are to apply equally to agencies and private persons," etc.); *id.* at 43 (Senate Judiciary Committee print, 1945); *id.* at 215-216 (Senate Judiciary Committee report).

The court of appeals relied to some extent (see Pet. App. 6a-7a, 10a) on the proposition that the judicial-review provisions of the APA were intended more to "restate" the law of judical review than to enact radical modifications. That is true as a general matter. See *Attorney General's Manual*, *supra*, App. B, at 136 ("This section, in general, declares the existing law concerning judicial review."); see also *id.* at 9, 107-109, App. B, at 138. That qualification concerning what Congress was attempting to achieve with respect to judicial review is not in any way inconsistent, however, with its overarching goals of enhancing the uniformity and certainty of administrative law. See, *e.g*, *Cousins* v. *Secretary, U.S. Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (en banc) (Breyer, J.) (an important general purpose of the APA was to "supplant a variety of pre-existing methods for obtaining [judicial] review that differed from one agency to another").[11]

By its nature, a "restatement" tends to codify *general* practice, while eliding deviations from the norm. When, as here, the restatement is statutory, its effect is to

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[11] See also *Cousins*, 880 F.2d at 606, quoting S. Rep. No. 442, 76th Cong., 1st. Sess. 9-10 (1939) (relating to an earlier version of the legislation that became the APA) ('unfortunately,' existing statutes d[id] not provide for 'a uniform method and scope of judicial review'"); cf. H.R. Rep. No. 1980, *supra*, at 16 ("The bill is meant to be operative 'across the board' in accordance with its terms, or not at all. Where one agency has been able to demonstrate that it should be exempted, all like agencies have been exempted in general terms. (See [the definitional provision now at 5 U.S.C. 551(1)]). Where one agency has shown that some particular operation should be exempted from any particular requirement, the same function in all agencies has been exempted. No agency has been favored by special treatment.").

eliminate anomalies, not to preserve them. Thus, notwithstanding the novel analysis advanced by the court of appeals in this case (see Pet. App. 4a-10a), nothing in the history or general purposes of the APA suggests that Congress intended the first sentence of what is now Section 559 to preserve whatever standards of review courts, including the Federal Circuit's predecessors, may have been applying in reviewing administrative decisions before the adoption of the Act. Cf. pp. 24-25, *supra* (noting lack of any unified standard applied by courts in patent cases before enactment of the APA). Any such construction would attribute to Congress a willingness to have its concluding provision on "construction" effectively undo the generalizing, rationalizing, and unifying work it had accomplished, with respect to judicial review, through the substantive provisions of what is now Section 706.

Two aspects of the legislative history that do not relate directly to the original Section 12 are, nonetheless, especially illuminating for present purposes. First, the legislative history demonstrates that Congress specifically considered the nature of patent proceedings and the role of the PTO, but enacted the APA without excepting the PTO from the judicial-review provisions of Section 10, 60 Stat. 243 (now 5 U.S.C. 701-706). See Pet. App. 7a-8a; H.R. Doc. No. 986, 76th Cong., 3d Sess. 16 (1940) (patent and trademark matters excepted from coverage under Walter-Logan bill, discussed below). That fact significantly undercuts the court of appeals' argument that Congress somehow intended to preserve whatever particular common-law standards may have applied to pre-APA judicial review of Patent Office proceedings.

Second, it is clear from the extensive legislative proceedings leading up to enactment of the APA that

those drafting the legislation expressly considered prescribing the "clearly erroneous" standard for review of agencies' factual determinations, but then rejected that idea. The Walter-Logan bill, an important precursor of the APA that was passed by Congress but vetoed by the President (pending the report of an Executive Branch committee), "originally * * * provided that an order might be set aside if the findings of fact were clearly erroneous." 86 Cong. Rec. 13,676 (1940) (statement of Sen. King). As a primary proponent of the legislation explained, however:

> This language was criticized on the ground that it would permit courts to review the evidence and substitute their own independent views of the facts for the findings reached by the bureau. To meet this criticism the Committee on the Judiciary of the Senate has stricken the quoted words from the bill, for those sponsoring this legislation recognize that the administrative agencies are the primary fact-finding bodies.

Ibid.; see generally S. Rep. No. 752, 79th Cong., 1st Sess. 3-4, 6-7 (1945) (discussing history of Walter-Logan bill as precursor to APA). Like the decision not to except the PTO from the scope of the APA generally, the decision to reject "clear error" as the general statutory standard of review supports the conclusion that the court of appeals erred in interpreting Section 559 to permit application of that standard solely in proceedings involving the PTO.

D. The Policy Arguments Advanced By Respondents And The Court Of Appeals Do Not Justify Any Departure From The Standard Of Review Prescribed By The APA

Respondents and the court of appeals have articulated a number of non-statutory rationales for the decision below in this case. Even if those arguments were relevant in the face of the clear terms of the governing statute, they would provide no persuasive justification for departing from the usual rules of APA review.

1. The court of appeals relied heavily on principles of stare decisis. Pet. App. 23a-26a. As the court elsewhere acknowledged, however, the prior decisions on which it relied did not adopt any clear standard of review different from that prescribed by the APA. See Pet. App. 15a-17a, 22a-23a; see also pp. 24-25, *supra*. Moreover, even a court's significant interest in adhering to its own prior decisions (and those of its predecessor courts) would seldom justify refusal to apply a statute in accordance with its terms; and, in any event, none of the prior decisions on which the court of appeals relied can have any preclusive effect in this Court.[12]

There is no precedent in this Court on the standard of review that should be used in direct appeals from PTO decisions denying patent applications. Respondents have previously argued (Br. in Opp. 7-8) that the Federal Circuit's "clear error" standard descends from

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[12] Cf. *Metropolitan Stevedore Co.* v. *Rambo*, 515 U.S. 291, 299-300 (1995) ("Rambo criticizes petitioner's reading of [a statute] because it sweeps away an accumulation of more than 50 years of dicta. Far from counseling hesitation, however, we think this step long overdue. '[A]ge is no antidote to clear inconsistency with a statute.'" (quoting *Brown* v. *Gardner*, 513 U.S. 115, 122 (1994)).

Morgan v. *Daniels*, 153 U.S. 120 (1894). As we explained in our reply at the petition stage (at 3-4), however, *Morgan* does not support the use of a non-deferential standard on judicial review, otherwise governed by the APA, of a PTO determination concerning patentability. To the contrary, the *Morgan* Court stressed that the matter before it was "more than a mere appeal," involving instead "an application to the court to set aside the action of * * * the executive department[] * * * charged with the administration of the patent system," based on a dispute over "a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises." 153 U.S. at 124. Under those circumstances, the Court noted, it "might well be argued" that the PTO's decision should be *final* as to matters of fact, "were it not for the terms of [the governing] statute." *Ibid.*

At the time, the applicable statute provided that a dissatisfied applicant might "have remedy by [filing a] bill in equity," on which the district court might "adjudge that such applicant is entitled, according to law, to receive a patent * * *, as the facts in the case [might] appear." *Morgan*, 153 U.S. at 121 (reporter's statement of the case); see also Pet. App. 13a. By the time the APA was enacted a half-century later, the law applicable to review of PTO decisions had changed: In 1927, Congress allowed applicants to choose whether to file a "bill in equity" or, instead, to seek review in the court of appeals. See Pet. App. 14a-15a. That choice remains under present law, and it is the second option—now review in the Federal Circuit—rather than the first—an action in district court—that is at issue here. See note 2, *supra*; compare 35 U.S.C. 141 (appellate review) with 35 U.S.C. 145 (district court action, tracking language considered in *Morgan*). Thus,

even if one could fairly separate *Morgan*'s statements that an administrative factfinding could be overturned only on the basis of evidence that "carries thorough conviction" or produces a "clear conviction," 153 U.S. at 125, 129, from their context and equate them with the term "clearly erroneous" as presently understood, there would be no reason to think that this Court intended that standard to apply in a case of this ~~court~~, ~~sort~~ in which appellate review on the administrative record is now governed by the terms of the APA.

2. The court of appeals argued, in passing (Pet. App. 26a), that application of the "clear error" standard in reviewing the Board's denial of patent claims would "promote consistency between our review of the patentability decisions of the board and [of] the district courts in infringement litigation." Respondents have similarly contended (Br. in Opp. 21-22) that observance of the APA in reviewing Board decisions would lead to an "anomaly," because factual determinations made by the Board would be subject to direct review by the court of appeals under the "substantial evidence" standard, whereas if a disappointed patent applicant instead sought review in the district court under the special mechanism provided by 35 U.S.C. 145, that court's factual findings would later be reviewed (respondents contend) for "clear error."

Both these arguments fail to take account, at a minimum, of the salient difference between judicial review of an administrative decision by a court of appeals on the basis of the agency record, as under 35 U.S.C. 141, and appellate review of a district court judgment entered after evidentiary proceedings in that court (possibly including a jury trial on infringement), as under 35 U.S.C. 145 or 281 and 28 U.S.C. 1338(a) and 1295(a)(1). As this Court has recognized, applicable

statutory and constitutional provisions simply provide different standards for the review of factual determinations in those different settings. Compare 5 U.S.C. 706(2)(E) (APA review on the administrative record) with Fed. R. Civ. P. 52(a) (district court findings) and U.S. Const. Amend. VII (jury findings); see *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948) (reversal of district court's factual findings under a "clearly erroneous" standard is permissible "[s]ince judicial review of findings of trial courts does not have the statutory or constitutional limitations on judicial review of findings by administrative agencies or by a jury") (footnotes omitted).[13] Dissatisfaction with any

[13] We note that a disappointed patent applicant's civil action against petitioner under 35 U.S.C. 145 is perhaps better viewed as an alternative mode of judicial review of an administrative decision, rather than as an entirely independent action. On that analysis, the action is a "special statutory review proceeding" within the meaning of 5 U.S.C. 703, and that proceeding is subject to the judicial review provisions of the APA. Under 5 U.S.C. 706(2)(E) and (F), the applicable standard of review of agency factual determinations depends on whether review is "on the record of an agency hearing provided by statute," as it is in the Federal Circuit itself under 35 U.S.C. 144, or whether some or all of the facts are instead "subject to trial de novo by the reviewing [district] court." See 35 U.S.C. 145 (in alternative civil action challenging denial of patent, "[t]he court may adjudge that such applicant is entitled to receive a patent for his invention * * * as the facts in the case may appear"). That issue is beyond the scope of the question presented in this case, but neither answer would change the analysis here. If the district court in a Section 145 case applies the "substantial evidence" standard, then the Federal Circuit will review the application of that standard, and no possible "anomaly" arises from the application of the same standard on direct review of a PTO decision. If the district court tries some or all of the facts de novo, then its findings will presumably be reviewed for clear

resulting "inconsistency" or "anomaly" is a matter to be brought to the attention of Congress, not a ground for failing to adhere to one of two congressional commands—particularly where that failure creates the far greater, and unjustified, anomaly of subjecting the determinations of one federal agency to a different standard of judicial review than that applied to those of every other agency whose decisions are similarly subject to APA review.[14]

3. Respondents argue that the Federal Circuit is correct to engage in a "meticulous review" of the Board's patent-denial decisions, involving a "[c]lose examination of PTO fact-finding" that is "more demanding" than that called for (or permitted) by the APA, in part because patentability determinations are complex, fact-intensive, and highly specialized. Br. in Opp. 7-8, 19-20. While that characterization of the nature of patent proceedings is correct, it does not support the court of appeals' decision. To the contrary, it is difficult to imagine any area in which the exercise of administrative expertise would be more critical than the determination of close factual questions relating directly to patentability, such as the question at issue in this case —what the "prior art" relating to a particular claimed subject matter would have revealed or suggested to "a person having ordinary skill in the art to which said

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error—but that result would be unremarkable for the reasons given in the text.

[14] "There is no other administrative agency in the United States that I know of in which the standard of review over the agency's decisions gives the appellate court as much power over the agency as we have over the PTO." *An Interview with Circuit Judge S. Jay Plager*, 5 J. Proprietary Rts. 2, 5 (1993), quoted in Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1415 & n.1 (1995).

subject matter pertains." 35 U.S.C. 103(a) (Supp. II 1996).

Respondents' argument that the PTO "does not have a better view of the facts than the Federal Circuit" (Br. in Opp. 20) ignores both the nature of the factual questions often (and here) at issue and the relative technical expertise of PTO examiners and federal judges. As we have explained (see pp. 6 and 8, *supra*), the PTO personnel assigned to review particular patent applications are selected in important part on the basis of their expertise in relevant technical areas. The PTO informs us, for example, that of the three members of the Board who rendered the final administrative decisions in this case, one holds a degree in electrical engineering, one holds a degree in electronics and has had extensive career experience in computer technology, and one holds an advanced degree in computer science and two in electrical engineering.

By way of contrast, the Federal Circuit, although generally considered a relatively specialized court, has exclusive or primary appellate jurisdiction over a variety of matters, including not only patent cases but also government contract cases, takings claims, federal employment controversies, and international trade cases (see 28 U.S.C. 1295), as well as internal revenue cases. Its judges are thus familiar with patent litigation, but are not necessarily experts in patent law; and they will seldom if ever possess the sort of expertise that the PTO's examiners-in-chief are statutorily required to possess in the various technical fields (such as chemistry, biology, physics, mechanical or electrical engineering) in which an inventor may claim to have made a non-"obvious" advance over the prior art. See 35 U.S.C. 7(a) (examiners-in-chief to be "persons of

competent legal knowledge and scientific ability").[15] Thus, far from supporting the position adopted by the court of appeals, the complex and technical nature of patent proceedings makes doubly plain why it is inappropriate for an appellate court to engage in more-rigorous-than-usual review of the factual determinations made by a quintessentially expert administrative agency. *Baltimore Gas & Elec. Co.* v. *Natural Resources Defense Council, Inc.*, 462 U.S. 87, 103 (1983) (when reviewing an agency's determination "within its area of special expertise, at the frontiers of science[,] * * * a reviewing court must generally be at its most deferential.").[16]

E. The Federal Circuit's Adherence To An Extra-Statutory Standard Of Review Exceeds The Proper Bounds Of Judicial Review

The court of appeals' final "policy" rationale for its decision in this case merits separate treatment because it embodies the court's central error. In rendering its decision, the court candidly acknowledged that it would subject the PTO's factual determinations to "heightened * * * scrutiny," beyond that authorized by the APA, for the stated purpose of preserving the court's

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[15] Compare *Atari, Inc.* v. *JS & A Group, Inc.*, 747 F.2d 1422, 1436 (Fed. Cir. 1984) ("In specifying that the President nominate [Federal Circuit] judges 'from a broad range of qualified individuals' (Federal Courts Improvement Act of 1982, P.L. No. 97-164, § 168(2), 96 Stat. 25, 51 (1982)), Congress sought in the statute itself to 'clearly send a message to the President that he should avoid undue specialization' in this court."), overruled in part on other grounds, *Nobelpharma AB* v. *Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.), cert. denied, 119 S. Ct. 178 (1998).

[16] See also, *e.g.*, *National Muffler Dealers Ass'n* v. *United States*, 440 U.S.472, 477 (1979); *Aluminum Co. of America* v. *Central Lincoln Peoples' Util. Dist.*, 467 U.S. 380, 390 (1984).

ability "to review [PTO] board decisions on [the court's] own reasoning," rather than on the Board's. Pet. App. 3a, 25a-27a; see Resp. Br. in Opp. 8, 21. That acknowledgment reflects the court's recognition that under the APA it would, to the contrary, be required to "review board decisions on their own reasoning," an approach that "differ[s] both in character and [in] the amount of deference [it] contemplate[s]." Pet. App. 3a; see also Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1415 & n.3 (1995) (quoting a speech delivered by Judge Michel of the Federal Circuit: "One of my main messages to you is that standards of review influence dispositions in the Federal Circuit far more than many advocates realize."). But the court's desire to enhance its own role conflicts impermissibly with choices Congress made when it adopted the APA.

A court exceeds the proper bounds of statutory review when it interferes, to any greater extent than is specifically authorized by the APA (or by some other applicable statute), with an administrative agency's discharge of the responsibilities that have been delegated to it by Congress. As noted above, this Court has made clear that a reviewing court is not authorized to direct an agency to adopt supplemental procedures beyond those required by the APA. *Vermont Yankee*, 435 U.S. at 543-549; see *id.* at 544 (citing *FCC* v. *Schreiber*, 381 U.S. 279 (1965), "where the District Court * * * devised procedures to be followed by the agency on the basis of its conception of how the public and private interest[s] involved could best be served"). Nor, where the APA prescribes an applicable standard of proof, is a court free to decide that some other standard should apply in an administrative proceeding, despite the traditional judicial role in resolving such questions in the absence of a statutory directive. *Steadman*, 450

U.S. at 95-97 & n.9. Similarly, it is "a simple but fundamental rule of administrative law" that, although a reviewing court may police the statutory boundaries within which Congress has authorized an agency to act, it may not substitute its discretion for that of the agency with respect to matters that fall within the legislative delegation. *SEC* v. *Chenery Corp.*, 332 U.S. 194, 196 (1947).

In the case of the PTO, Congress has created a comprehensive statutory scheme for the submission of patent applications to a specialized agency, the examination of those applications by qualified personnel, and the administrative grant or denial of patents. See 35 U.S.C. 111-122 (applications), 131-135 (examination); see also pp. 6-8, *supra*. The statute itself makes clear that Congress intended to place the administration of the patent system, which by definition involves the evaluation of claimed advances at the border of scientific and technical knowledge, largely in the hands of a specialized agency that possesses both "competent legal knowledge and scientific ability." See 35 U.S.C. 7(a) (prescribing requirements for the appointment of examiners-in-chief), 282 (1994 & Supp. II 1996) (presumption of validity attaches to patent once it has been issued). The Federal Circuit's use of a standard of judicial review different from, and more intrusive than, that authorized by the APA directly modifies that congressional decision.

Proper administration of the patent system plays an important role in the continuing technological, and hence economic, development of the Nation. When properly issued in accordance with the stringent statutory requirements established by Congress, see 35 U.S.C. 100 *et seq.*, including the requirement of nonobviousness at issue in this case, patents "promote the

Progress of Science and useful Arts" (U.S. Const. Art. I, § 8, Cl. 8). Just as surely, however, when improperly issued they retard that progress, stifle technological and economic competition, and may be invalidated, if at all, only through protracted and expensive litigation. See generally 35 U.S.C. 271 *et seq.* (infringement and remedies). The decision *not* to issue a patent—the only patenting decision that will ordinarily be reviewable at the instance of a "dissatisfied" applicant, see 35 U.S.C. 141, 145—will frequently depend, as it did in this case, on the determination of close and highly technical factual questions. It is therefore critical that the expert judgment of the PTO's Board of Patent Appeals and Interferences, charged by Congress with the final administrative responsibility for determining whether a patent should issue (see 35 U.S.C. 7(b), 134), should be subject to judicial review and "correction" only within the limited bounds prescribed by Congress for the review of any such administrative action.

CONCLUSION

The decision of the court of appeals should be reversed.

Respectfully submitted.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

Q. TODD DICKINSON,
Acting Commissioner of Patents and Trademarks,
Petitioner,

v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREWS H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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QUESTION PRESENTED

Whether the Administrative Procedure Act, 5 U.S.C. §§ 551-59, 701-06, limits or repeals long-standing case law pursuant to which the United States Court of Appeals for the Federal Circuit and its predecessors have applied the "clearly erroneous" standard to review fact-finding by the United States Patent and Trademark Office?

RULE 29.6 STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, respondents state that the certificate of interest set forth in Respondents' Brief in Opposition to Petition for a Writ of Certiorari is unchanged.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

No. 98-377

Q. TODD DICKINSON,
Acting Commissioner of Patents and Trademarks,
Petitioner,

v.

MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREWS H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR THE RESPONDENTS

STATEMENT OF THE CASE

Respondents filed U.S. Patent Application No. 07/479,666 with the U.S. Patent and Trademark Office ("PTO" or "Patent Office") on February 13, 1990. The application disclosed and claimed an invention that would improve security for transactions between computer systems by using a multi-step method for assuring that the command given on an open, unsecure route (an "untrusted pathway") would be confirmed through a secure route (a "trusted pathway") before being executed. User verification through a secure route prevents unauthorized users from misrepresenting the sender's commands. Respondents' invention was designed to meet the need for security in transmitting sensitive information such as credit

card numbers and personal finances between computer systems (e.g., electronic banking, Internet purchases).

A PTO examiner rejected the claims as "obvious" under 35 U.S.C. § 103.[1] His ruling was affirmed on appeal to the Board of Patent Appeals and Interferences ("PTO Board" or "Board"). Pet. App. 35a (on request for reconsideration).[2]

Respondents appealed this denial of patentability directly to the United States Court of Appeals for the Federal Circuit ("Panel" or "CAFC Panel") pursuant to 35 U.S.C. § 141, and a Panel of that court unanimously reversed the PTO Board. *In re Zurko*, 111 F.3d 887 (Fed. Cir. 1997) (Pet. App. 28a). The CAFC Panel found the Board's finding of fact, that "the prior art teaches, either explicitly or inherently, the step of obtaining confirmation over a trusted pathway" to be "clearly erroneous." *Id.* at 32a. The Panel explained that all prior art references relied on by the Board either made no use of repeat-back commands, *id.* at 33a (discussing UNIX reference), or were limited "to repeating back commands in an unsecure system. *Ibid.* (discussing FILER2 reference). No reference established a trusted path and

[1] The statutory criterion of nonobviousness requires evaluation of the differences between the claimed invention and the prior art "at the time the invention was made." *Id.* at § 103(a). In general, the time of filing is treated as the invention date unless the applicant can establish an earlier date. 37 C.F.R. § 1.131; *see Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1576-77 (Fed. Cir. 1996). Thus, in evaluating the patentabilty of an invention, "the decision maker [must] forget what he or she has been taught . . . about the claimed invention and cast the mind back to the time the invention was made (often, as here, many years), to occupy the mind of one skilled in the art who is presented only with the references, and who is normally guided by the then-accepted wisdom in the art." *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984).

[2] Except for the order by the Court of Appeals for the Federal Circuit to rehear the matter *en banc*, the decisions by the Panel and *En Banc* courts below are reprinted in appendices to the Petition for Certiorari (hereinafter "Pet. App.").

then communicated the repeat-back over it, as in respondents' claimed invention. Nor did any reference teach communication with the user over both "a trusted *and* an untrusted path" as in the claims submitted by the respondents. *Ibid.* (emphasis in original). Therefore, because the Board's legal conclusion of obviousness was based on clearly erroneous findings of fact, the Panel concluded that "the obviousness of the claimed invention has not been established," *id.* at 34a,[3] and accordingly that the Board should be reversed. *Id.* at 28a; see also *id.* 1a-2a.

In reaching this judgment, the Panel declined the petitioner's request that it apply the "more deferential [review] standard" of Section 706(2) of the APA because modification of the court's long-standing "clearly erroneous" precedent could be made "only [by] the court sitting *en banc*." *Id.* at 32a n.2. Thus, the Panel made no finding that the PTO Board's decisions would have been upheld had it applied the less demanding APA review standards in Section 706(2), and, as a consequence, the case at bar lacks ripeness for review. See Respondents' Brief in Opposition to Certiorari 7 n.2 (explaining that the case at bar is not ripe for review because "there was no finding below that the Board's decision would be upheld . . . [if it had applied] the APA standards in 706(2)").[4]

[3] While the obviousness of a claimed invention pursuant to 35 U.S.C. § 103(a) is ultimately a conclusion of law, it is based on underlying findings of fact such as the scope and content of the prior art, the level of ordinary skill of a worker in the technical field of the invention, the differences between the claimed invention, and the prior art, and the marketplace reaction (e.g., commercial success). *See Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (obviousness under § 103 dependent on "several basic factual inquiries"); *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987).

[4] This ripeness issue was presented to the Federal Circuit in Appellants' Opposition to Corrected Petition for Rehearing and Suggestion for Rehearing *In Banc* by Appellee 4-6 (June 20, 1997) (Joint Appendix 93-96), but the court did not include it in its

Nonetheless at the petitioner's suggestion for rehearing, the Federal Circuit ordered that the matter be reheard *en banc* to consider whether "Patent and Trademark Office fact-findings [should be reviewed] under the Administrative Procedure Act standard of review instead of the presently applied 'clearly erroneous standard.'" *In re Zurko*, 116 F.3d 874 (Fed. Cir. 1997) (rehearing order). After an examination of the history of the standard of review applied by reviewing courts to PTO Board fact-finding, the Federal Circuit found that its predecessor, the Court of Customs and Patent Appeals ("CCPA") (and the CCPA's predecessors), had applied a variety of closely related verbal formulations that in each instance "require[d] more rigorous review than is required by the APA" under Section 706(2). *In re Zurko*, 142 F.3d 1447, 1454 (Fed. Cir. 1998) (Pet. App. 1a, 15a). The court of appeals specifically noted the "frequency with which the early [pre-APA] cases used some review standard similar to clear error, [and that] these same cases appear not to have used the substantial evidence . . . [or] arbitrary and capricious standard[s]." Pet. App. 18a. It also found that "[f]ollowing Congress' enactment of the APA the CCPA continued to review Patent Office decisions as it had done before 1947," *ibid.*, and since its founding in 1982, the Federal Circuit also has "consistently applied the clearly erroneous standard when reviewing factual findings of the board." *Id.* at 22a.

As a result, the Federal Circuit unanimously "conclude[d] that [its] more searching clear error standard of review is an 'additional requirement' that was 'recognized' in our jurisprudence before 1947, which we therefore continue to apply under the exception in section 559 [of the APA]." *Id.* at 23a. This conclusion was "buttressed by the principle of *stare decisis*." *Ibid.* The petitioner had "made no suggestion that [the] current standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the

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rehearing order and it therefore was not further briefed by the parties or considered at oral argument.

patent system." *Id.* at 24a-25a. The *en banc* court therefore held that it would continue to apply the "clearly erroneous" standard to review PTO Board fact-finding and that the decision of the Board should be reversed.

Thus, the question before this Court is whether the less demanding judicial review provisions in Section 706(2) of the APA limit or repeal the long-standing and more searching clear error standard applied by the Court of Customs and Patent Appeals in 1946 when the APA was adopted, and continued since 1982 by the Federal Circuit, despite the clear language in Section 12 of the APA (now codified in 5 U.S.C. § 559) that: "Nothing in this Act shall be held . . . to limit or repeal additional requirements imposed by statute or otherwise recognized by law."

SUMMARY OF ARGUMENT

To ensure that the generic reforms of the Administrative Procedure Act of 1946, 5 U.S.C. §§ 551-59, 701-06, preserved more exacting standards already in place controlling agency action, the APA included a saving provision in the first sentence of its final section stating that "[n]othing in this Act shall be held . . . to limit or repeal additional requirements imposed by statute or otherwise recognized by law." APA § 12, codified in 5 U.S.C. § 559.[5] By its express terms, this clause continued in force preexisting requirements insofar as they imposed obligations in addition to those specified by the APA. This broadly worded first sentence of Section 12 contains no exceptions and applies to the entire Act, including the scope of review of agency fact-finding. Its obvious purpose was to ensure that the APA did not lower standards or weaken other requirements in place when the Act was enacted in 1946.

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[5] Section 12 of the APA was codified by Pub. L. 89-554, 80 Stat. 378, 388 (Sept. 6, 1966), as 5 U.S.C. § 559. Because this codification changed both the wording and placement of Section 12 in the original Act, but not its legal effect, all references herein are to Section 12 as originally worded. *See IT&T v. Local 134, IBEW*, 419 U.S. 428, 431 n.3 (1975) ("no substantive changes were intended" by APA codification).

Applied to judicial review of fact-finding by PTO Boards, Section 12 preserved the "clearly erroneous" test applied by the Court of Customs and Patent Appeals ("CCPA") at the time the APA was enacted because this more searching review standard is an "additional requirement" that has been consistently applied by the CCPA since 1929 and by its successor, the Federal Circuit, since 1982.

The petitioner argues, however, that the "additional requirements" in Section 12 do not apply to standards for judicial review of fact-finding by the PTO. He contends that the terms do not mean what they appear to say because (a) a standard of review is not a "requirement," (b) the saving clause refers only to matters not addressed by the APA itself, and (c) at most, the "additional requirements" terms encompass only the APA's "core" provisions on information, informal rulemaking, or formal hearings.

But petitioner does not identify where these limitations can be found in Section 12 or any other section of the APA. Nor does he identify any authority applying Section 12 in such a narrow fashion. Indeed, his construction is directly contrary to firm precedents of this Court interpreting Section 12 as including matters also covered by the APA, reading broadly worded saving clauses as written, and limiting implied repeals to unusual situations where there is an "irreconcilable conflict" so that the two laws cannot mutually coexist. Petitioner's argument also disregards the Act's structure, purpose and history, all of which demonstrate that the APA was designed to strengthen agency practices and solidify judicial review, not to weaken either. Nor does he identify any persuasive public policy support for this proposed change in a standard that has been applied continuously since at least 1929. The standard is well understood, encourages more careful PTO fact-finding, and thus is only infrequently applied to reverse PTO fact-finding. Until the petitioner's current campaign for greater deference, no responsible advocate or court has argued that PTO fact-

finding was owed greater deference under the APA standards.

Finally, petitioner attempts to dismiss this overwhelming history by arguing that there is no single standard recognized in law because the CCPA did not always use identical terminology in reviewing PTO fact-finding. In fact, these differences have no significance and the legal standard being applied never varied. There is no confusion in the case law and petitioner cannot show that the CCPA ever applied a lesser standard than the "clearly erroneous" test. As the court below demonstrated, "the clear error test or its close cousins" has been the review test used consistently by it and its predecessors to measure whether the PTO's fact-finding should be sustained.

ARGUMENT

A "dissatisfied" applicant may seek review of the PTO Board's rejection of a patent application by filing an appeal directly to the Federal Circuit pursuant to 35 U.S.C. § 141. The Patent Act, however, does not specify the standard of review that the Federal Circuit shall apply to such appeals. Pet. App. 22a. That standard, therefore, is supplied by the judicial review provisions in the Administrative Procedure Act, 5 U.S.C. § 706(2), absent the application of a pre-existing more searching standard pursuant to Section 559, because the PTO is an "agency" within the meaning of the Administrative Procedure Act, 5 U.S.C. § 701(b)(1), and agency action "made reviewable by statute . . . [is] subject to judicial review" pursuant to the terms of the APA. *Id.* § 704; *see Sierra Club v. Glickman*, 67 F.3d 90, 96 (5th Cir. 1995) ("When a statute authorizes judicial review of agency action without providing standards for that review, we look to the APA for guidance."). Relying upon this structure, the petitioner argues that the APA's substantial evidence standard applies to review of PTO Board fact-finding by the Federal Circuit because "[n]othing in the APA . . . authorizes the Federal Circuit to subject the Board's decisions to the

'heightened level of scrutiny' " applied by the court under the "clearly erroneous" standard of review. Pet. Br. 21.[6]

In fact, however, Section 12 of the APA recognizes other review standards where pre-existing "additional requirements [are] imposed by statute or otherwise recognized by law." Because, as the court below found, its predecessor, the Court of Customs and Patent Appeals, had always applied a more searching standard of review than those required in Section 706(2) of the APA, Pet. App. 23a; see also *id.* at 16a, and the Federal Circuit "ha[d] applied the clear error standard—and only this standard—consistently since the court's genesis in 1982," *id.* at 26a, this "more searching clear error standard of review . . . [continued as] an 'additional requirement' that was recognized' in . . . [the CCPA's] jurisprudence before 1947." *Id.* at 23a. A review of scores of CCPA and Federal Circuit decisions on the standard of review applied to PTO Board fact-finding since 1929 further documents the court's conclusion.

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[6] The petitioner wants to have it both ways, first by claiming that the more lenient arbitrary and capricious standard of review under § 706(2)(A) applies, *id.* at 20, and then by "conced[ing]" that the "somewhat more searching" substantial evidence test of § 706(2)(E) governs fact-finding review of PTO Boards. *Id.* at 20 & 21. This analytical ambivalence is reflected in his inconsistent positions on the required standard for "APA review." Three years ago, petitioner proposed that the arbitrary and capricious test of § 706(2)(A) was the required standard. *In re Kemps*, 97 F.3d 1427, 1430 (Fed. Cir. 1996). When that argument did not succeed, he proposed the alternative application of the substantial evidence test under § 706(2)(E). *In re Lueders*, 111 F.3d 1569, 1575 (Fed. Cir. 1997). He has similarly wavered in the case at bar, first arguing for the arbitrary and capricious test before the CAFC Panel, then switching to the substantial evidence standard before the *en banc* court, and now apparently willing to accept any standard as long as it gives greater deference to the PTO.

I. THE CCPA AND FEDERAL CIRCUIT CONSISTENTLY APPLIED A MORE SEARCHING STANDARD TO REVIEW OF PTO FACT-FINDING

Congress' enactment of the APA in 1946 did not change the standard for judicial review of Patent Office decisions because other "recognized law"—i.e., pre-existing case law—applied a more searching "clearly erroneous" test.

A. The CCPA Reviewed Fact-Finding By the PTO Board Under the "Clearly Erroneous" Standard At the Time the APA was Adopted

Since 1929,[7] decisions of the Patent Office have been reviewed by courts of special subject matter jurisdiction: first, by the Court of Customs and Patent Appeals, Act of March 2, 1929, ch. 488, §§ 1 & 2, 45 Stat. 1475, 1475-76; and since 1982, by the United States Court of Appeals for the Federal Circuit. Federal Courts Improvement Act, Pub. L. 97-164, 96 Stat. 25. From the outset, the CCPA applied a "clear error" test as its primary standard of review of PTO fact-finding. *E.g., Thompson v. Chapman*, 36 F.2d 300, 302 (CCPA 1929) (decision of the Board of Appeals "was not clearly erroneous, and therefore is affirmed"); *In re Ford*, 38 F.2d 525, 526 (CCPA 1930) ("well settled" that in presenting appeal from Patent Office fact-finding "it is incumbent upon one appealing therefrom to make out a clear case of error to obtain a reversal"); *In re Hornsey*, 48 F.2d 911, 912 (CCPA 1931) (findings of Patent Office reversible when it was 'clear that they are erroneous"); *Rowe v. Holtz*, 55 F.2d 468, 370-71

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[7] Prior to 1929, the Court of Appeals for the District of Columbia (today the U.S. Court of Appeals for the District of Columbia Circuit) heard Patent Office appeals. *See In re Leuders*, 111 F.3d 1569, 1575 n.6 (Fed. Cir. 1997). The cases found setting forth the standard of review that was applied by the D.C. Court of Appeals to fact-finding in patentability decisions from 1897 to 1928 are listed in Appendix A. As they show, the court consistently applied a "clear error" or similarly worded test, initially derived from *Morgan v. Daniels*, 153 U.S. 120 (1894), Pet. App. 14a, that was continued in the modern era of judicial review of PTO fact-finding with the transfer of jurisdiction of such review to the CCPA.

(CCPA 1932) ("we cannot say that the [Patent Office] tribunals below were clearly in error in their findings"); *Berman v. Rondelle*, 75 F.2d 845, 847 (CCPA 1935) ("under the well-known rule this court will not reverse the decision of the Board under such circumstances, unless it is clearly erroneous"); *In re Ruzicka*, 150 F.2d 550, 553 (CCPA 1945) ("it would necessarily have to be clear that the board erred in this respect before we would be warranted in reversing its holding").

Other times an equivalent test was applied to review PTO fact-finding under nearly identical "manifest error," "manifestly wrong" or "material error" labels. *E.g., Beidler v. Caps*, 36 F.2d 122, 125 (CCPA 1929) (determining whether PTO's finding of lack of diligence in reducing invention to practice was "manifestly wrong"); *Clancy v. De Jane*, 36 F.2d 131, 132 (CCPA 1929) (findings of fact not disturbed unless "material error is shown"); *Stern v. Schroeder*, 36 F.2d 515, 517 (CCPA 1929) ("when the tribunals of the Patent Office concur in findings of fact, such findings will not be disturbed by this court, unless the decision appealed from is manifestly wrong"); *Jardine v. Hartog*, 36 F.2d 606, 607 (CCPA 1930) (where PTO tribunals concurred in the award of priority, "court ought not to reverse the decision . . . unless it is manifestly erroneous"); *In re Demarest*, 38 F.2d 895, 896 (CCPA 1930) (finding of no patentable invention affirmed because not "manifestly wrong"); *Pengilly v. Copeland*, 40 F.2d 995, 996 (CCPA 1930) ("settled rule that this court will not reverse concurring findings of the Patent Office tribunals, except where the court can say the decisions are manifestly wrong"); *In re Anhaltzer*, 48 F.2d 657, 658 (CCPA 1931) ("concurring decisions of the Patent Office tribunals will not be disturbed, unless it appear[s] that they are manifestly wrong"); *In re Batcher*, 59 F.2d 461, 463 (CCPA 1932) ("burden rests upon the party appealing [from boards of the Patent Office] to make it clear that the findings of fact by such tribunals are manifestly wrong"); *Zublin v. Pickin*, 70 F.2d 732, 733 (CCPA 1934) ("unless material error is shown, findings

of fact as to which the tribunals of the Patent Office concur will not be disturbed by us"); *In re Bertsch*, 107 F.2d 828, 831 (CCPA 1939) (Patent Office findings not disturbed unless they are "manifestly wrong"); *In re Ubbelohde*, 128 F.2d 453, 456 (CCPA 1942) ("manifestly wrong"). That the terminology differed was inconsequential, however, because they all amount to the "clear error" standard [8] and because they were used interchangeably. *See In re Bertsch, supra* (applying manifest error test and citing *In re Hornsey, supra*, which had applied the clearly erroneous test); *In re Wietzel*, 39 F.2d 669, 671 (CCPA 1930) (equating "manifestly wrong" and "clearly erroneous" tests).

Still other times, the CCPA added terms such as "weight of the evidence" and "mistake" of fact to the clearly erroneous test, but without changing the CCPA's more searching level of scrutiny of PTO fact-finding. *E.g., Thompson v. Chapman, supra* ("the decision of the Board of Appeals . . . was not against the weight of the evidence, and was not clearly erroneous"); *Jardine v. Long*, 58 F.2d 836, 836 (CCPA 1932) (reversal of PTO Board findings of fact only if "fully convinced that such findings are not in accord with the weight of the evidence when such evidence is fairly weighed and construed"); *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (appellant has heavy burden to show that the PTO "decisions are erroneous"); *Kenyon v. Platt*, 152 F.2d 1006, 1009 (CCPA 1946) ("we cannot say that the finding of the Board is clearly contrary to the weight of the evidence"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) (reversal must be based on "most cogent evidence of mistake and miscarriage of justice" in fact-finding of Board of Inter-

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[8] *See Black's Law Dictionary* 962 (6th ed. 1990) ("manifest" is "synonymous with open, clear, visible, unmistakable, indubitable, evident, and self-evident").

ference Examiners).[9] *See also In re Magness*, 34 F.2d 1010, 1011 (CCPA 1929) ("[w]e do not agree with the Commissioner that this patent clearly discloses" facts that "anticipate[d] applicant's claims").

In a few isolated cases, the CCPA strayed from this practice of applying the clear or manifest error formulations for testing the Patent Office's fact-finding by imposing an even more demanding *de novo* test because the PTO tribunals—the examiners and the Board—had not concurred. *Townsend v. Smith*, 36 F.2d 292, 294 (CCPA 1929) (applying *de novo* review standard where three tribunals of the Patent Office differed "in their views as to what this evidence shows"); *Reusch v. Fischer*, 49 F.2d 818, 819 (CCPA 1931) (same); *Kreidel v. Parker*, 97 F.2d 171, 179 (CCPA 1938) (exercising "independent judgment as to the weight of the evidence" where Patent Office tribunals did not concur). And, for a time the CCPA also occasionally applied a "rule of doubt" in favor of the applicant, *In re Herchenrider*, 117 F.2d 261, 264 (CCPA 1941) ("well-established rule that doubt on the question of patentability of claims should be resolved in favor of the applicant"), but that rule was subsequently rejected in favor of the clearly erroneous standard. *General Motors Corp. v. Coe*, 120 F.2d 736, 737 (D.C. Cir. 1941) (rejecting "older decisions" and applying "the settled law of this court that we must sustain the findings of the Patent Office and the District Court unless we think them clearly wrong"); *see also In re Andersen*, 743 F.2d 1578, 1580 (Fed. Cir. 1984) ("Contrary to appellant's view, the premise that doubts as to patentability should be resolved in favor of a patent applicant is now defunct."), *cert. denied*, 471 U.S. 1015 (1985).[10]

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[9] Even as traditionally applied, the weight of the evidence test is less deferential than the substantial evidence standard. *See Consolo v. FMC*, 383 U.S. 607, 620 (1966) (defining substantial evidence test as "something less than the weight of the evidence").

[10] There also are occasional cases seemingly not fitting within any of these categories. *See In re Christmann*, 107 F.2d 607, 609 (CCPA 1939) (rejecting PTO characterization of what the prior art taught "where it seemed proper"). They, however, appear not to have developed a following.

Thus, despite slight variations in terminology describing the test applied by the CCPA prior to the enactment of the APA, the CCPA adhered to a single standard of review.[11] Under it, the CCPA held that the PTO Board's findings should be overturned and its denial of a patent reversed whenever the Board's fact-finding clearly reached the wrong result. Even if the CCPA decisions are viewed as applying a series of closely related standards of review, petitioner does not dispute the finding of the court below that all of these variations were more searching than those required by the APA. Pet. Br. 21. *Compare United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948) (defining "clearly erroneous") with *NLRB v. Columbian Enameling & Stamping Co.*, 306 U.S. 292, 300 (1939) (substantial evidence " 'means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.' " quoting *Consolidated Edison v. NLRB*, 305 U.S. 197, 229 (1938)); *see also* Robert L. Stern, *Review of Findings of Administrators, Judges and Juries: A Comparative Analysis*, 58 Harv. L. Rev. 70, 88-89 (1944) (" 'clearly erroneous' rule gives reviewing court broader powers than the 'substantial evidence' formula").

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[11] Although the court below identified verbal distinctions among pre-1947 cases, at times referring to them as "various" or "several standards," Pet. App. 11a, 15a, 26a, it also summarized them as "the clear error [test] and its close cousins," *id.* at 22a-23a, expressly noted that "each . . . requires more rigorous review than is required by the APA," *id.* at 15a, and concluded that it had "applied the clear error standard—and only this standard—consistently since the court's genesis in 1982." *Id.* at 26a. Thus, except for a few outliers invoking even more intensive review, see p. 12 *supra*, the scrutiny applied by the CCPA and Federal Circuit to PTO fact-finding has never varied significantly from the "clear error" test, has been functionally identical to it, and has always been "more searching" than the tests set forth in the APA. *Id.* at 23a. By common law standards, this is a remarkably consistent and continuous application of a test for the review of PTO Board fact-finding. *See generally* Karl N. Llewellyn, *The Common Law Tradition—Deciding Appeals* (1960).

B. The CCPA and Federal Circuit Continued to Apply the "Clearly Erroneous" Test After the APA was Enacted

Congress' enactment of the APA did not result in any modification of the standard of review applied to PTO fact-finding either by the CCPA from 1947-82 or the Federal Circuit since 1982. In general, the "clearly erroneous" or its related "manifest error" standard was applied interchangeably by both. For examples of CCPA decisions, *see, e.g.,* Pet. App. 18a (collecting cases); *In re Stoll,* 161 F.2d 241, 243 (CCPA 1947) (concurring tribunals of Patent Office were not "manifestly wrong"); *Israel v. Cresswell,* 166 F.2d 153, 156 (CCPA 1948) ("clearly against the weight of the evidence"); *Ranney v. Bridges,* 188 F.2d 588, 596 (CCPA 1951) ("manifestly wrong because against the weight of the evidence"); *Daley v. Wiltshire,* 293 F.2d 677, 681 (CCPA 1961) ("manifestly wrong"); *Application of Kunzmann,* 326 F.2d 424, 426 (CCPA 1964) (appellant failed to demonstrate Patent Office finding was "clearly erroneous"); *Joseph & Feiss Co. v. Joseph Kanner Hat Co.,* 337 F.2d 1014, 1015 (CCPA 1964) (trademark case applying "manifest error" standard citing *Ranney v. Bridges, supra,* for proposition that "[f]actual findings of a lower tribunal are normally accepted unless clearly erroneous"). For examples of Federal Circuit decisions, *see* Pet. App. 22a (collecting cases); *see also* Donald R. Dunner, et al., *Court of Appeals for the Federal Circuit: Practice & Procedure* 6-52 n.26 (1998) (Federal Circuit "has expressly held that factual determinations of the PTO boards are subject to the 'clearly erroneous' standard" citing 15 cases of patent appeals).

C. The Review of PTO Fact-Finding under the Clearly Erroneous Standard Constitutes "Other Recognized Law"

As this summary of scores of CCPA and Federal Circuit ("CAFC") cases demonstrates, judicial scrutiny of PTO fact-finding since 1929 has always been at the level of clear error review and never at the more deferential

substantial evidence standard being sought by the petitioner here. Pet. App. 15a. The CCPA and CAFC applied the clearly erroneous tests as binding precedent which could be changed only by the *en banc* court.[12] Of course, like most issues of settled law, the application of the clear error standard of review to PTO fact-finding was not argued or explicated in every case. The CCPA and CAFC did not expressly state the very same standard or recite identical scope of review language in every case. Appellate courts often rely on different phraseology. See note 11 *supra.* But nominal deviations from the clear error norm do not undercut the finding of a common standard. Thus, it seems clear that the clearly erroneous standard was the general standard applied by the CCPA to review PTO Board fact-findings in 1947 and that this standard continues to be applied by the CAFC today.

This judicially crafted decisional law satisfies the condition in the saving clause in Section 12 that additional requirements imposed by statute or "otherwise recognized by law" survive the APA. Decisional rules developed by cases are law and have the effect of law. Thus, in connection with interpreting the judicial review provisions of the APA, the *Attorney General's Manual* specifically noted that they "must be carefully coordinated with existing statutory provisions and *case law.*" U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act* 93 (1947) (citing *Consolidated Edison Co. v. NLRB, supra*) (emphasis added); *see also id.* at 109 (referring to APA scope of review as a "general codification" of standards developed "either by statute or *judicial* rule") (emphasis added).

This coordination between the APA and existing case law is illustrated directly by the interplay between Section 12's proviso in its first sentence regarding additional requirements recognized in "other law" and the APA's judi-

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[12] The CCPA did not require a separate process for determining binding law because it heard all cases *en banc. See In re Gosteli,* 872 F.2d 1008, 1011 (Fed. Cir. 1989).

cial review provisions of Section 706(2). Thus, existing case law that recognizes the clear error standard is coordinated with the APA review standards in 706(2) by Section 12's provision that the more searching standards pre-dating the APA constitute additional requirements not limited or repealed by the APA. Contrary to petitioner's contention that Section 12 is only "a minor and general provision" of the APA warranting minimal application, Pet. Br. 25, the saving clause of the first sentence assures that standards of review developed by courts before the APA's adoption were not eliminated or weakened by its enactment.

The petitioner, on the other hand, would give the "otherwise recognized by law" language of Section 12 minimal scope, limiting it to requirements "so well established that it could fairly be compared with a requirement 'imposed by statute' before the enactment of the APA, or [with] one 'expressly' modifying or superseding it thereafter." *Id.* at 24-25.[13] But petitioner makes no attempt to define what constitutes "well established" precedent or explain why the scores of cases spanning 70 years applying the clearly erroneous standard do not meet its test.[14]

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[13] *But see* Panel Discussion, *Present At The Creation: Regulatory Reform Before 1946*, 38 Admin. L. Rev. 511, 529 (1986) where Professor Kenneth Culp Davis discusses the first sentence of Section 12 as follows:

> Note that in that one sentence Congress recognized three kinds of law—constitutional law, statutory law, and common law. Nothing in the APA cuts back protections by any one of the three. . . . Section [12] means that the APA may not be interpreted to add to or to subtract from common law rights. That is what the words clearly say.

[14] Recognized law is established in many ways including by constitution, statute and judicial common law. Judicial common law can be established by a single opinion or it may evolve over several years. Numerous factors, such as the reason for the rule, the thoroughness of its consideration and the period of its consideration and application, help determine whether a judicial rule constitutes recognized law. Applied here, all of these factors support the conclusion that the clearly erroneous standard was "otherwise recognized by law" and thus continued after 1946.

Nor is there any basis for petitioner's contention that the provision for "express[]" modification of the APA after 1946 in the penultimate sentence in Section 12 (identified herein as sentence #3, see p. 18 *infra*) somehow implies a qualification in the "recognized by law" clause in the first. The sentences serve different purposes and should be interpreted with these purposes and objectives in mind. *See Dole v. United Steelworkers of America*, 494 U.S. 26, 35 (1990). Under sentence #3, the APA can be modified after its adoption only by statutes expressly modifying the APA, not by judicial action. *See also Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). On the other hand, Congress also can choose, as it did in the first sentence of Section 12 of the APA, to limit the impact of a new law such as the APA and to continue the effectiveness of pre-existing law. And when it has done so, its command must be observed.

II. THE CCPA'S "CLEARLY ERRONEOUS" STANDARD OF JUDICIAL REVIEW IS AN "ADDITIONAL REQUIREMENT"

The operative effect of the first sentence of Section 12 of the APA—to preserve all "additional requirements" in place at the time the APA was adopted—is not disputed by the petitioner. Pet. Br. 24. We differ on whether the terms of the first sentence of the saving clause of Section 12—that "Nothing in this Act shall . . . limit or repeal additional requirements imposed by statute or otherwise recognized by law"—apply to the "clearly erroneous" scope of review standard applied today by the Federal Circuit to fact-finding by the PTO Board and applied previously by its predecessor, the CCPA.

Contrary to petitioner's contention that Section 12 is a minor and technical provision and that its first sentence does not encompass the judicial review provisions of the APA, the "additional requirements" terms of Section 12 are facially applicable to all provisions of the APA.

Neither these terms nor any other provision in Section 12 exempts the APA's judicial review provisions from an overlay of more searching requirements imposed by judicial common law prior to the Act's enactment in 1946.

A. The "Clearly Erroneous" Standard Constitutes an "Additional Requirement" within the *Plain Meaning* of Section 12 of the APA

Section 12 of the APA, Pub. Law 404, 79th Cong., 60 Stat. 237, 244 (1946) provides:

> Sec. 12. **[1]** *Nothing in this Act shall be held* to diminish the constitutional rights of any person or *to limit or repeal additional requirements imposed by statute or otherwise recognized by law.* **[2]** Except as otherwise required by law, all requirements or privileges relating to evidence or procedure shall apply equally to agencies and persons. . . . **[3]** No subsequent legislation shall be held to supersede or modify the provisions of this Act except to the extent that such legislation shall do so expressly. . . . [emphasis added and sentence numbers in bold face inserted for reference; unrelated provisions relating to severance, effective dates and compliance authority deleted]

Although the petitioner maintains that the CCPA and Federal Circuit applied no single standard of review, he does not dispute that the standard being applied to review PTO Board fact-finding was, in every instance, more searching than the APA's scope of review requirements in Section 706(2). Pet. Br. 20-22. Likewise the petitioner does not deny that the terms of the introductory clause to Section 12 ("[n]othing in this Act") are all-encompassing and apply to the entire APA without exception. *Id.* at 22.[15]

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[15] Petitioner argues that the continued application of the clearly erroneous test is contrary to the APA because it would "authorize [an] important *exception*[]" to the Act. Pet. Br. 22 (emphasis in original). But if, as the court below held, § 12 authorizes this more searching standard, then it is not an exception to the APA and labeling it as such adds nothing to the analysis.

Thus, the central issue between the parties is the meaning of the "additional requirements" terms in the context of the introductory clause of Section 12. Contrary to petitioner's construction, respondents read the word "requirements" as encompassing all statutory or common law obligations, duties, tests or standards in existence in 1946 and the word "additional" as covering all requirements that are more searching, demanding, burdensome, onerous, rigorous, stringent or strict than those set forth in the Act. The first sentence of Section 12 was added to the APA to ensure that the Act's revision of administrative processes and codification of judicial review did not result in weaker controls o agency actions as compared with those in effect when the APA was enacted. See pp. 38-39 *infra*. Petitioner's reading, that the terms "additional requirements" apply only to other matters not encompassed within the APA or, alternatively, only to the informational and procedural provisions of the APA, is not supported by the plain language of Section 12. There is nothing in the terms of Section 12 which direct that additional requirements must somehow be "consistent" with the provisions they supplement.

In the context of Section 12 of the APA, the "additional requirements" terms are not difficult to understand: no requirements in place when the Act was enacted in 1946 would be negated or lessened by the enactment of the APA. It follows that Section 12 was a significant part in the APA because it ensured that controls on the government and the protection of individual interests were not weakened by the enactment of the Act. Section 12 makes no exception for standards of judicial review and similarly worded saving clauses generally are interpreted liberally. See pp. 25-31 *infra*. This common sense reading of Section 12 is further supported by a parsing of the "additional requirements" terms.

The first word, "additional," refers to something more (not less) than, or added to, a base line standard. *The*

New Century Dictionary 15 (1946) (defining the word "additional" as meaning something "added" or "supplementary"); *see Black's Law Dictionary* 38 (6th ed. 1990) (defining the word "addition" as an "extension," "increase," or "augmentation" and defining "additional" as also "embrac[ing] the idea of joining or uniting one thing to another, so as thereby to form one aggregate"). The second word, "requirements," refers to something that cannot be avoided, i.e., something that is "demanded or obligatory." *The New Century Dictionary, supra* at 1531; *see Black's Law Dictionary, supra* at 1304 (defining "require" as meaning "to direct, order, demand, instruct, command, claim, compel, request, need, exact").[16]

Read together, as in Section 12, these words identify obligations or burdens previously recognized by law which supplement those set forth in the APA. The first sentence of Section 12, therefore, preserves the more demanding pre-existing tests that otherwise would have been displaced by the APA. Nowhere are the APA's judicial review provisions, 5 U.S.C. §§ 701-06, exempted from the reach of Section 12. This is further demonstrated by the third sentence of Section 12 which specifically permits lesser requirements (such as less intenive judicial review) to apply. But such lesser specifications modify the APA only if expressly stated as such in a post-APA statute.[17]

Petitioner seeks to avoid the meaning of the plain terms of Section 12 by arguing that "one would not ordinarily

[16] At one point, petitioner seeks to read the "additional requirements" terms as covering "'added' obligations" so long as they were not "more rigorous," Pet. Br. 23, but later he concedes that the terms also cover requirements "greater" than those specified in the APA. *Id.* at 26.

[17] Sentence #1 of § 12 uses the terms "additional requirements" to identify eligible pre-APA commands that were to be continued, whereas sentence #3 upholds post-APA legislative provisions that "expressly" "supersede or modify the provisions" of the APA without regard to whether they constitute "additional requirements."

think of a standard of judicial review as a 'requirement[]' within the meaning of Section [12]." Pet. Br. 22. In fact, the opposite is true. A saving clause in the last section of a statute which provides that "[n]othing in this Act" limits or repeals pre-existing requirements clearly reads as if it is to be applied to *all* sections of the Act whether the provision at issue is viewed as imposing a requirement on agencies or on courts. It is, in other words, a natural way of expressing the intent of Congress that more demanding legal rules that would otherwise have been limited or repealed by the APA would continue in force. A normal reading of Section 12 would apply its saving clause to the requirements set forth in all eleven previous sections of the APA without exception.

Petitioner next seeks to buttress his unfounded conclusion by arguing that the more searching "clearly erroneous" standard cannot be a requirement because the judicial review provisions in Section 706(2) are not "core" provisions relating to "*administrative* procedure." *Id.* 22-23 (emphasis in original).[18] But this argument, based on the title of the Act and several (but not all) of the operative provisions of the APA, cannot succeed because the Act is not limited simply to agency procedures for rulemaking and adjudication. The APA also established new standards for information disclosure (§ 2, now 5 U.S.C. § 552), codified both the right to and standards for judicial review

[18] Once again petitioner wants to have it both ways, this time arguing that the judicial review provisions are not part of the "core" of the APA, Pet. Br. 25-26, and thus not covered by § 12, whereas at other times he argues that judicial review is too "central" to be contradicted by the "hortatory" and "minor" provisions of § 12. Pet. Br. 24 & 25. But the APA establishes no such hierarchy and it does not recognize which provisions are more or less significant. A more principled construction treats the judicial review provisions of § 706(2) and the saving clause of § 12 as having equal significance, as the Federal Circuit did, and therefore recognizes that the latter applies identically to all other sections of the APA without favor to one over another.

(§ 10, now §§ 701-06), and specified the terms for appointment, compensation and tenure of hearing examiners (§ 11, now in scattered sections of 5 U.S.C.). The first sentence of Section 12 does not say: "nothing in this Act except Sections 2, 10 and 11." Failure to comply with the requirements of any of these sections warrants reversal as a violation of the APA. *See, e.g., Universal Camera Corp. v. NLRB*, 340 U.S. 474 (1951) (reversing court of appeals for failure to consider the "whole record" requirement of § 706(2)(E)). The judicial review provisions of the APA are as much a part of the Act as its specification of adjudicative procedures for hearings required by statute to be on a record. To be sure, the judicial review provisions can be differentiated from agency procedural specifications insofar as they impose requirements that courts must follow, but Section 12's sentence #1 does not say that it applies only to agencies—and scope of review standards enforced on judicial review also have the effect of imposing requirements on the agencies. *See, e.g., Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Insur. Co.*, 463 U.S. 29, 48 & 57 (1983) (approving "hard look" review of agency reasoning).

Finally, petitioner's argument—that "[t]he 'additional requirements' language of Section [12] would be more naturally read to preserve preexisting legal 'requirements' with respect to matters not addressed by the APA," Pet. Br. 25—is both under- and over-inclusive. It covers too little because Section 12 was designed to preserve all APA-related requirements that were "additional." It covers too much because non-APA matters generally are not affected by the Act and thus are not within the reach of Section 12. *See, e.g., Morton v. Mancari*, 417 U.S. 535, 550-51 (1974) ("Where there is no clear intention otherwise, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment.") Nor is there any support in the terms of Section 12 or elsewhere in the APA for petitioner's argument that the

"additional requirements" continued under it must not be "inconsistent" with or "different" from the APA. *Id.* at 23 & 26 & n.9.[19] Again, Section 12's saving clause contains no such limitation and consistency with the APA is not stated to be a factor in applying Section 12. Indeed, almost any pre-existing law meeting the "additional requirements" standard of sentence #1 is, in some sense, not consistent with the APA because the APA either will not have addressed the matter directly or will have addressed it in a different way. On the other hand, if the requirement does not relate to a subject covered by the APA, then the APA is not displaced by it. And, in that event, the only issue will be whether the two can be reconciled to reflect the intent of Congress. *See Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 155 (1976) (implied repeal only where there is an irreconcilable conflict" between the two statutes "in the sense that there is a positive repugnancy between them or they cannot mutually coexist"); *see also Rodgers v. United States*, 185 U.S. 83, 88 (1902).

The "clearly erroneous" standard of review applied by the CCPA in 1946 therefore constitutes an "additional requirement" within the meaning of Section 12 because it: (a) was recognized when the APA was adopted; (b) applies a more searching test than the APA standards; and (c) adds to rather than subtracts from the requirements of the APA.

The petitioner seeks to avoid this conclusion by arguing that "[t]he substitution of one standard of review for the other does not come within the terms of Section [12]." Pet. Br. 23. He contends that the "clearly erroneous review standard for PTO Board fact-finding cannot be "simply append[ed]" to the alternative standards for judicial

[19] However, even petitioner concedes that the "additional requirements" preserved by sentence #1 apply to "requirements greater than" those specified in the APA. See note 16 *supra*.

review listed in Section 706(2). *Id.* This argument misconprehends the interplay between the "clearly erroneous" test continued under Section 12 of the APA and the APA standards of review recognized in Section 706(2). The continued application of the "clearly erroneous" standard to review of PTO Board fact-finding by the Federal Circuit does not have the effect of eliminating any APA standard as petitioner contends. Because it is more demanding, it adds to and supplements the various tests set forth for review of agency fact-finding in the APA. *See Ass'n of Data Processing, Inc. v. Board of Governors of Federal Reserve Sys.*, 745 F.2d 677, 683 (D.C. Cir. 1984) (Scalia, J.) ("*Ass'n of Data Processing*") (" 'scope of review' provisions of the APA, 5 U.S.C. § 706(2), are cumulative").

On the other hand, had the CCPA applied a mere "scintilla" evidentiary standard of review (which would require a court to uphold agency findings supported by any evidence, *see NLRB* v *Columbian Enameling & Stamping Co., supra* at 300) at the time the APA was enacted, that lesser fact-finding standard would not have been preserved. As a "less searching" pre-APA requirement, it would not have satisfied the terms of sentence #1 of Section 12. That is, the first sentence of Section 12 is asymmetrical and applies only to a pre-existing standard or procedure specifying "additional requirements" by statute or judicial common law.[20]

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[20] Petitioner's argument that a "non-APA standard of review specified by a particular statute would presumably govern in proceedings under that statute, whether it was more stringent or more lax than those set out in 5 U.S.C. 706," Pet. Br. 26 n.9, is incorrect insofar as it would permit a *pre-existing* less stringent standard to continue after 1946. Just as sentence #3 requires that post-APA statutes must "expressly" modify the APA standards, a pre-APA statutory standard must satisfy the "additional requirements" test of sentence #1. Petitioner's citation of *American Paper Inst. v. American Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983) to support its argument is similarly inapposite because that case did not involve a pre-APA statute or make any reference to or otherwise involve an interpretation of § 12's sentence #1. That footnote stands for the unexceptional point that the "arbitrary and capricious" standard of § 706(2)(A) is the usual default rule when no other standard applies. *See also Ass'n of Data Processing.*

B. This Court's Decision in *Florida East Coast Ry.* Supports the Decision Below

The petitioner's argument that Section 12 of the APA should be read narrowly also is contrary to this Court's opinion in *United States v. Florida East Coast Ry.*, 410 U.S. 224 (1973) ("*Florida East Coast*"). There the central question was whether Section 1(14)(a) of the Interstate Commerce Act, which was adopted before the APA was enacted,[21] and which authorized rulemaking "after hearing," mandated "a trial-type hearing or [could be satisfied by] the presentation of oral argument by the affected parties." *Id.* at 36. Because Section 12 of the APA provided that "additional requirements" survived the APA, the Court was compelled to determine whether Congress had imposed a more demanding hearing process when it amended the Interstate Commerce Act in 1917. The analytical structure adopted there is controlling here:

> Inextricably intertwined with the hearing requirement of the Administrative Procedure Act in this case is the meaning to be given to the language "after hearing" in § 1(14)(a) of the Interstate Commerce Act. Appellees, both here and in the court below, contend that the Commission procedure here fell short of that mandated by the "hearing" requirement of § (14)(a), even though it may have satisfied § 553 of the Administrative Procedure Act. The Administrative Procedure Act states that none of its provisions "limit or repeal additional requirements imposed by statute or otherwise recognized by law." 5 U.S.C. § 559. Thus, even though the Commission was not required to comply with §§ 556 and 557 of that Act, *it was re-*

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[21] The "after hearing" provision originated in the Esch Car Service Act of 1917, 40 Stat. 101, as an amendment to the Interstate Commerce Act.

quired to accord the "hearing" specified in § 1(14)(a) of the Interstate Commerce Act.

Id. at 238 (emphasis added). After reviewing the amended Interstate Commerce Act, the Court concluded that Congress in fact had not identified what type of hearing was required in 1917. *Id.* at 239 ("It is by no means apparent what the drafters of the Esch Car Service Act of 1917 . . . meant by the ['after hearing'] term."). As a result, the Court applied the APA meaning of a "hearing" in informal rulemaking because that was the default rule in the absence of a specific statute or other recognized law. And applying the APA, the Court found that its less demanding hearing provisions for informal rulemaking under Section 553 governed rather than the stricter adjudicative hearing requirements under Section 554. However, it also was clear that if Section 1(14)(a) had required a more demanding process, that section in the Interstate Commerce Act would have trumped the APA's lesser standard because of the first sentence of Section 12.

There are, of course, differences between application of the saving clause in *Florida East Coast* and in the case at bar: Section 1(14)(a) of the Interstate Commerce Act did not specify a different hearing requirement and it did not involve a standard of judicial review of agency fact-finding. Petitioner seeks to argue from these differences that *Florida East Coast* supports its alternative argument that the first sentence of Section 12 is limited to informational, rulemaking or hearing requirements. Pet. Br. 25-26.[22] But there is not a word in the opinion that supports such a reading. That the issue in *Florida East Coast* derives from the meaning of the "after hearing" terms in the Interstate Commerce Act does not contradict Section

[22] Petitioner fails to note, however, that *Florida East Coast* implicitly rejects petitioner's preferred construction that § 12 is "more naturally read" as applying only "to matters not addressed by the APA." Pet. Br. 25.

12's application to more searching standards of judicial review. The significance of *Florida East Coast* is that the Court's approach and analysis is the same as respondents urge in the case at bar, namely, that the first step in applying the saving clause in sentence #1 is to determine whether more demanding or searching requirements were recognized by law before 1946. Where such a requirement existed, as the lower court found here, it continued under the APA (per § 12).

The Third Circuit followed the same approach when faced with a similar argument in *SEC v. Morgan, Lewis & Bockius*, 209 F.2d 44 (3d Cir. 1953). There the prior law required that those appearing before the SEC were to file informational statements with the Commission, Public Utility Holding Company Act of 1935, § 12(i), 15 U.S.C. § 791(i), and the SEC had sought to apply the requirement to lawyers as well as lobbyists. However, the defendant law firm had argued, *inter alia*, that the right to counsel provisions in the APA, 5 U.S.C. 555(b), repealed the PUHC Act insofar as it required any filing of informational statements by lawyers appearing before the Securities and Exchange Commission. The court rejected that contention of a "repugnancy" between the two acts because Section 555(b) of the APA did not "relieve[] counsel of any duties he may have under [other] law." *Id.* at 48-49. It justified this holding by reference to the saving clause of sentence #1 of Section 12 of the APA that pre-existing law imposing additional requirements was not overridden by the APA.

That sentence #1 of Section 12 has drawn little attention and few references is not surprising because the APA's informational, procedural and hearing provisions were designed to raise standards while the judicial review provisions were drafted more narrowly to restate the law. See discussion pp. 34-35 *infra*.[23] But this is no reason to accept

[23] Two recent court of appeals decisions also have read sentence #1 of Section 12 as continuing a specific statutory review require-

the petitioner's reading of Section 12 that would deny this saving clause any force. The petitioner's argument identifies no situation, real or hypothetical, where Section 12 would apply to pre-existing informational, procedural and hearing requirements but not to pre-existing standards of judicial review. Respondents' reading, on the other hand, would apply Section 12 to any specific provision in an agency's enabling act or other recognized law that is more searching than those set forth in the APA.[24]

C. Broadly Worded Saving Clauses, Such as Section 12, Are Not Read Narrowly

Petitioner's narrow reading of Section 12 also departs from the traditional rule that saving clauses are not to be read grudgingly. *See, e.g., Atherton v. FDIC*, 519 U.S.

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ment or a long-standing agency practice. *See United States v. Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995) (applying a more restrictive agency-specific statutory record requirement on judicial review); *United Transp. Union-Ill. Legislative Bd. v. Interstate Commerce Comm'n*, 52 F.3d 1074, 1079 n.10 (D.C. Cir. 1995) (upholding a long-standing ICC declaratory order process outside of the formal adjudicatory structure authorized by the APA because, *inter alia*, sentence #1 of § 12 continued the ICC's pre-existing declaratory order process and "[t]he Supreme Court has assumed the practice to be proper"). In both cases it does not appear that the additional requirements pre-dated the APA. Nonetheless, the courts operated on the understanding that they did, and in that setting applied § 12 to preserve a more restrictive measure of judicial review (*Menendez*) and an agency-developed common law standard (*United Transp.*).

24 Nor is *Steadman v. SEC*, 450 U.S. 91 (1981) to the contrary. There the Court simply held that the burden of persuasion applicable to APA adjudications is met by a "preponderance of the evidence" test because that is the meaning intended by Congress when it enacted the APA. *Id.* at 100-02. There was no basis for considering any claim under § 12 of the APA because the APA continued the "traditional standard of proof in civil or administrative proceeding[s]," *id.* at 101 n.21 (quoting James Wigmore, *Evidence* § 2498 (3d ed. 1940)), and the APA was in accord with "the Commission's longstanding practice." *Steadman, supra*, at 103.

213, 228 (1997); *Nader v. Allegheny Airlines, Inc.*, 426 U.S. 290, 298-300 (1976); *see also* 2A *Sutherland on Statutory Construction* § 47.12 (Norman J. Singer ed., 5th ed. 1992).[25] One particularly relevant example is this Court's rejection of a similar government argument in *Abbott Laboratories v. Gardner*, 387 U.S. 136 (1967), that a saving clause should be read narrowly. In that case the government argued that an agency-specific special review mechanism overruled the APA's more generous provisions for judicial review of agency regulations despite a saving clause that seemingly preserved the applicability of the APA's provisions. The Court, however, rejected the government's argument, reading the saving clause at its face value.

The issue in *Abbott Laboratories* arose in the now familiar setting of an industry's pre-enforcement challenge to the FDA's authority to issue the challenged regulations as well as to their validity under the APA. The government asserted that the district court lacked jurisdiction because the APA's provisions for nonstatutory review were overridden by the special review process set forth in Section 701(f) of the Food, Drug and Cosmetic Act, 21 U.S.C. § 371(f), which provided that certain types of FDA rules "embodying technical factual determinations," id. at 144, were appealable only to the courts of appeals. The Court, however, rejected the government's argument that the FDA's special review mechanism for a limited group of regulations preempted the APA's more open-

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25 The exception to this rule, that a saving clause will be read narrowly where a literal construction is "absolutely inconsistent with the provisions of the [primary] act," *Nader v. Allegheny Airlines, Inc., supra* at 299, is applied only in extreme situations and not where, as here, the law being "saved" can be reconciled with primary law. *See Texas & Pacif. R.R. v. Abilene Cotton Oil Co.*, 204 U.S. 426, 446 (1907) ("the act cannot be held to destroy itself").

ended process generally applicable to regulations because the former was "simply intended to assure adequate judicial review" and its "enactment does not manifest a congressional purpose to eliminate judicial review of other kinds of agency action." *Ibid.* "This conclusion," the Court went on, was "strongly buttressed by the fact that the [FDCA]" included a saving clause in § 701(f)(6) which provided that the remedies specified in § 701(f) "'shall be in addition to and not in substitution for any other remedies provided by law.'" *Ibid.* The government's attempt to limit the saving clause "as applying only to review of regulations under the sections specifically enumerated in § 701(e)," *id.* at 144-45, was rejected:

> This is a conceivable reading [of the saving clause], but it requires a considerable straining both of language and of common understanding. The saving clause itself contains no limitations, and it requires an artificial statutory construction to read a general grant of a right to judicial review begrudgingly. so as to cut out agency actions that a literal reading would cover.

Id. at 145. The Court also found no support in the legislative history for such a narrow reading of the saving clause. Undaunted, the government had further argued that because the saving clause was located in § 701(f), and not separately, it "should be read to apply only to those sections to which the § 701(f) special-review procedure applies." *Ibid.* Again, the Court rejected the argument:

> But it is difficult to think of a more appropriate place to put a general saving clause than where Congress placed it—at the conclusion of the section setting out a special procedure for use in certain specified instances.

Ibid. As a consequence, the Court read "the saving clause at its face value" and held that the FDCA did not restrict other avenues of review. *Id.* at 146.

Distinctions, of course, can be drawn between the case at bar and *Abbott Laboratories.* In *Abbott* the saving clause was in the organic law, not the APA, and the government sought to limit its importance so as to narrow the availability of judicial review. Here, by contrast, the petitioner seeks to limit the importance of the saving clause in the APA in order to limit the scope of judicial review authorized by prior law. But this distinction should not make any difference. When the saving clause is written without qualification, there is, *Abbott* holds, no basis for importing a restriction into it that would deny effect to other law that Congress said was to survive. In addition, the clearly erroneous test cannot be said to "destroy" the purpose of the APA provisions on review which themselves recognize the applicability of differing intensity of review depending on several factors including the agency process involved.

D. The Structure, Purpose and History of the APA Confirm That Section 12 of the APA Applies to Pre-Existing Standards for Judicial Review

This reading of the plain language of section 12, that a more searching standard of review was to continue after the APA was adopted, is confirmed by the APA's structure, purpose and history. *See Kokoszka v. Belford,* 417 U.S. 642, 650 (1974) ("'the court will not look merely to a particular clause in which general words may be used, but will take in connection with it the whole statute (or statutes on the same subject) and the objects and policy of the law, as indicated by its various provisions,'" quoting *Brown v. Duchesne,* 19 How. 183, 194 (1857)), *rehr'g denied,* 419 U.S. 886; *see also Dole v. United Steelworkers of America, supra* at 35.

1. *The Structure of the APA Makes Clear That Section 12 Applies to All Provisions of the APA*

The structure and design of the APA are hospitable to other statutes and they frequently are integrated into it.

For example, a distinctive feature of the APA is that it sets the default rule for information, rulemaking, adjudicative *and* judicial review requirements and, consequently, the Act often applies only when triggered by other statutes or when not foreclosed by other statutory requirements. Agencies can and have adopted more specific information and process requirements. *See, e.g.*, ACUS Recommendation 76-3, *Procedures in Addition to Notice and an Opportunity for Comment in Informal Rulemaking*, 41 Fed. Reg. 29,654 (July 19, 1976). The trial-type hearing requirements of 5 U.S.C. §§ 556 and 557 apply only to matters required by another (non-APA) statute to be determined on a closed record. *Id.* at §§ 553(c), 554(a). Similarly, the availability and scope of judicial review of agency action are determined pursuant to any agency-specific statute ("statutory review"); the APA standards for judicial review apply only if "no other adequate remedy" is otherwise available ("nonstatutory review"). 5 U.S.C. § 704; *see* Jeffrey S. Lubbers, *A Guide to Federal Agency Rulemaking* 295-99 (3d ed. 1998). Section 12, therefore, is more than a mere "technical provision" as petitioner labels it, Pet. Br. 28, and should be construed with an understanding that it serves an important function in the integration of statutes and case law within the APA. It deserves a straight-forward reading in accordance with Congress' obvious intent. *See Atherton v. FDIC, supra* at 227-28 (language of saving clause—"[n]othing in this paragraph"—read naturally to support an "interpretation broad enough to save rights provided by other state, or federal, law").

Similarly, the location of the saving clause in Section 12, as the final section of the APA as originally enacted, adds force to the introductory words of sentence #1 that its provisions apply to all sections of the Act. That the codifiers of the APA moved the judicial review provisions to a subsequent chapter does not diminish the significance

of that original location,[26] a point highlighted in the statutory rewrite which specifically acknowledges that the first sentence of Section 12 incorporates "chapter 7" on judicial review. 5 U.S.C. § 559 ("This subchapter, chapter 7 [on judicial review], and sections 1305 [on administrative law judges] . . . do not limit or repeal additional requirements," etc.). Under petitioner's interpretation of Section 12, that location is ignored and the first sentence of the original and codified versions loses its meaning.

Petitioner's argument that Section 12 is "a minor and general provision" of the APA, Pet. Br. 25, whose "context . . . counsels against the court of appeals' expansive construction," *ibid.*, is no more persuasive. First, its contention that sentence #1 is nothing more than a "horatory reassurance," Pet. Br. 24, trivializes Congress' actions and renders the sentence superfluous. Statutes, of course, are to be construed in a way that "give[s] effect, if possible, to every clause." *Heckler v. Chaney*, 470 U.S. 821, 829 (1985) (quoting *United States v. Menasche*, 348 U.S. 528, 538-39 (1955)). Second, the reference in sentence #2 specifically recognizing that evidentiary and procedural "requirements or privileges" apply "equally to agencies and persons" demonstrates not that sentence #1 "refer[s] to requirements made applicable to the administrative process . . . [and] not to requirements imposed on reviewing courts," Pet. Br. 24, as petitioner implies, but rather that specific limitations on the reach of independent provisions in Section 12 were added as Congress deemed such restrictions appropriate. Where no restriction is specified by Congress, as is the case of the substantive scope of sentence #1, none should be added by implication. Third, petitioner is correct that sentence #3 governing express modifications of the APA indicates a congressional intent that post-APA changes can be made only by statute and by express modification. But neither limitation

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[26] The codification of the APA was not to change its legal effect. See note 5 *supra*.

applies to sentence #1 and petitioner's argument fails to account for this difference between it (and sentence #3) and the subject-matter limitation in sentence #2. *See also Assn. of Data Processing, supra* (reading sentence #3 as applicable to statutory modification of substantial evidence review).

2. *The APA's Provisions on Standards of Review Restated the Law of Judicial Review*

In adopting the Administrative Procedure Act, Congress sought to achieve "four basic purposes":

> 1. To require agencies to keep the public currently informed of their organization, procedures and rules (sec. 3).
>
> 2. To provide for public participation in the rule making process (sec. 4).
>
> 3. To prescribe uniform standards for the conduct of formal rule making (sec. 4(b)) and adjudicatory proceedings (sec. 5), i.e., proceedings which are required by statute to be made on the record after opportunity for an agency hearing (secs. 7 and 8).
>
> *4. To restate the law of judicial review (sec. 10).*

Attorney General's Manual 9 (emphasis added);[27] *see also id.* at 108 (APA § 706(2) "restates the present law as to the scope of judicial review").[28] The judicial review

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[27] *See Steadman v. SEC, supra* at 103 n.22 (1981) (recognizing the *Manual* as the authoritative contemporaneous interpretation of the APA " 'because of the role played by the Department of Justice in drafting the [APA],' *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. at 546, and Justice Clark was Attorney General both when the APA was passed and when the Manual was published."); *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 218 (1988) (Scalia, J., concurring) (*Manual* is "the Government's own most authoritative interpretation of the APA . . . which we have repeatedly given great weight").

[28] This listing closely parallels Senator McCarran's explanation of the bill during its consideration by the Senate. *Administrative Procedure Act—Legislative History 1944-46*, S. Doc. No. 248, 79th Cong., 2d Sess. 304 (1946) ("substance of what the bill does may be summarized under four headings: . . . Fourth. It sets forth a simplified statement of judicial review designed for every legal wrong.").

standards in 5 U.S.C. § 706(2) "assume[d] that if the notice, hearings, and finding procedures are adopted as recommended[,] they will obviate the reasons for change in the area and scope of judicial review." 92 Cong. Rec. 2163 (1946), reprinted in *Administrative Procedure Act—Legislative History 1944-46*, S. Doc. No. 248, 79th Cong., 2d Sess. 351 (1946) ("*APA Legislative History*"), quoted in Pet. App. 6a. Because the scope of review provisions in the APA "constitute a general statement of the principles of judicial review embodied in many statutes and judicial decisions," they "must be carefully coordinated with existing statutory provisions and case law." *Attorney General's Manual* 93.

Consistent with these objectives, the saving clause in the first sentence of Section 12 preserved any deviations from the norm that constituted "additional requirements" which would be "limited or repealed" if the APA's judicial review provisions were applied without regard for such prior law. By recognizing the "clearly erroneous" standard that it had applied before the APA was adopted, the CCPA (and now the Federal Circuit) ensured that the standards applied to review of PTO Board fact-finding continued without change after the APA was enacted. This result is consistent with the congressional purpose that the APA was to improve the quality of agency processes and practices and to maintain effective judicial oversight of agency actions, but not to lower the standards of either.

3. *The APA's History Supports Continuing the "Clearly Erroneous" Standard of Review*

As noted, the Administrative Procedure Act codified existing standards of judicial review and generally did not

seek to change them. This outcome followed a ten year struggle to enact a code of administrative procedure, *Wong Yang Sung v. McGrath*, 339 U.S. 33, 40 (1950), where much of the debate initially had focused on the intensity of judicial review. The early reform proposals had emphasized " 'the lack of effective independent review or judicial control of administrative decisions.' " Kenneth C. Davis & Richard W. Pierce, Jr., *Administrative Law Treatise* § 1.4 at 11 (3d ed. 1994), quoting 61 A.B.A.R. 720 (1936).[29] However, after the passage of the very controversial Walter-Logan Act, its veto by the President in 1940, and publication of the highly influential *Final Report of the Attorney General's Committee on Administrative Procedure* (1941) recommending a code limited to administrative procedure, a compromise ultimately was reached on a modified Administrative Procedure Act.[30] It generally adopted the procedural recommendations of the Attorney General's Committee and added a highly diluted compromise version of the "dissenters' " proposal for judicial review. *See* George B. Shepherd, *Fierce Compromise: The Administrative Procedure Act Emerges from New Deal Politics*, 90 Nw. U. L. Rev. 1557, 1659-75 (1996) ("*Fierce Compromise*"); *id.* at 1659-60 (Carl McFarland,

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29 This was in distinct contrast to the Walter-Logan bill which "was both blatantly political (exempting 'favored' agencies) and quite restrictive (significantly enhancing the role of judicial and intra-agency review)." Robert L. Rabin, *Federal Regulation in Historical Perspective*, 38 Stan. L. Rev. 1189, 1264 (1986). Walter-Logan also had no saving clause. H.R. 6324, 76th Cong., 3d Sess. (1940). Its final section of "exceptions and reservations" was limited to preserving existing methods for obtaining judicial review (§ 7(a)), to exempting numerous agencies, departments and laws from its coverage (§ 7(b)), and to ensuring the admission of lawyers to practice before all agencies (§ 7(c)). *Ibid.*; *see* H.R. Report No. 1149, 76th Cong., 1st Sess. 7 (1939).

30 When asked to compare the final APA and the Walter-Logan bill, Senator McCarran, a cosponsor, said that was "impossible . . . for the mere reason that they are two entirely different bills." *APA Legislative History* 313.

chairman of the ABA's Special Committee on Administrative Law and signer of the separate statement in the report of the Attorney General's Committee on Administrative Procedure, acknowledging that the final compromise provisions on judicial review "merely confirmed existing case law," citing *Federal Admiinstrative Procedure: Hearings on H.R. 184, H.R. 339, H.R. 1117, H.R. 1203, H.R. 1206, and H.R. 2602 Before the House Comm. on the Judiciary*, 79th Cong., 1st Sess. 38-39 (1945)).

This understanding of the final compromise was captured in the Attorney General's answer to questions on the judicial review provisions of Senate Bill 7 (which became the APA) as quoted during consideration by the House after the Senate's unanimous adoption of the APA:

> Section 10 as to judicial review does not, in my view, make any real changes in existing law. This section in general declares the existing law concerning judicial review. It is an attempt to restate in exact statutory language the doctrine of judicial review as expounded in various statutes and as interpreted by the Supreme Court. I know that some agencies are quite concerned about the phraseology used in section 10 for fear that it will change the existing doctrine of judicial review which has been settled for the particular agency concerned. I feel sure that should this section be given the interpretation which is intended, namely, that it is merely a restatement of existing law, there should be no difficulty for any agency. We may in a sense look at section 10 as an attempt by Congress to place into statutory language existing methods of review.

APA Legislative History at 415; *see* 92 Cong. Rec. 5741 (1946); *see also* Leon Zitver, *The Administrative Procedure Act*, 28 J. Pat. Off. Soc'y 676 (1946) (APA does not require "serious changes in [Patent Office] practice or policy"; the section on judicial review, for example, "embod[ies] existing practices").

The primary purpose of these judicial review provisions was not only to restate existing law but also to set a minimum standard insofar as any questions existed over the reviewability of agency action or of the important role of judicial oversight. *See APA Legislative History* 303-04 (Senator McCarran: the APA is neither a "specification of the details of administrative procedure . . . [nor] "a codification of administrative law," but rather "an outline of minimum basic essentials"). On the other hand, the drafters of the APA were aware that agency practices and judicial standards varied, that they had not studied all them,[31] and that unless some limitation on the operative effect of the APA was stated, any more searching agency-specific provisions might not survive the APA overlay. A saving (and implementing) section therefore was added as a final section in the APA to provide that these special rules were not limited or repealed by the APA insofar as they were expressed in prior law except that these prior standards had to be "additional requirements" and thus were not to undercut the minima otherwise established in the APA.

The clearest specific reference in the history of the APA to sentence #1 of Section 12 is in the analysis provided by Attorney General Clark's October 1945 statement submitted to Congress as the final bill was being discussed where he stated: "The first sentence of section 12 is intended simply to indicate that the act will be interpreted as supplementing constitutional and legal requirements imposed by existing law." *Attorney General's Manual* at 139 (Appendix B). It recognizes expressly that the APA is the minimum requirement, that the APA supplements other legal requirements, and that the APA's legal requirements are an overlay in addition to the pre-existing law. The Attorney General's description identifies

[31] The *Final Report of the Attorney General's Committee on Administrative Procedure* 4 n.2 (1941) specifically identified ten administrative bodies, including the Patent Office, not studied for various reasons.

no exception in Section 12's sentence #1 for requirements of judicial review.

Finally, there are no grounds for arguing, as petitioner does, that application of Section 12 to continue more searching review of PTO Board fact-finding is inconsistent with the APA's "overarching goals of enhancing the uniformity and certainty of administrative law," Pet. Br. 29, or that the elimination of the PTO exemption from the APA (as compared with the Walter-Logan bill), *id.* at 30, or the even earlier deletion of the "clearly erroneous" test from Walter-Logan before it was debated in Congress, *id.* at 31, provide any insight into what Congress intended in sentence #1 of Section 12 of the APA. First, a single uniform review standard is not imposed by the APA, and Section 706(2) recognizes several different tests depending on the process involved. The uniformity established by the APA is in the minimum procedures and standards to be applied.[32] Second, the elimination of the exemption

[32] Petitioner's citation of *Cousins v. Dep't of Transportation*, 880 F.2d 603, 606 (1st Cir. 1989) (*en banc*) (Breyer, J.) as supporting the proposition that the APA sought to enhance "uniformity" in the scope of judicial review of agency action, Pet. Br. 29 n.11, is inapposite. The ruling in *Cousins* did not in any way address the standard to be applied to review of agency fact-finding. It related solely to the issue of *obtaining* judicial review, and the *en banc* court held unanimously that because plaintiff already had a claim under the APA it was inappropriate and unnecessary to imply one from a substantive statute adopted almost 30 years after the APA was enacted. In doing so, the court specifically recognized that "Congress did not intend the APA to limit review available elsewhere," *id.* at 605, thus also acknowledging that additional bases for obtaining review continued after the APA became law.

Nor is *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, *supra* at 543-49, to the contrary. See Pet. Br. 20. It barred only the imposition of new judicially crafted procedural requirements beyond those specified in the APA where none were "otherwise recognized by law" at the time the APA was adopted. But it did not in any way restrict more intensive judicial review of agency fact-finding under APA standards, nor was it to be "a talisman under which any agency decision is by definition unimpeachable." *State Farm*, *supra* at 50 (rejecting argu-

for the PTO and more than 20 other agencies, laws, and operations from the APA (as compared with the Walter-Logan bill, *see* Shepherd, *Fierce Compromise* at 1618-19), proves nothing other than that the APA approach was very different. As already noted, the APA concentrated on procedural reforms and a restatement of judicial review standards with a saving clause to preserve pre-existing and more demanding requirements, rather than Walter-Logan's judicialization of the administrative process. Third, the dropping of the "clearly erroneous" test from Walter-Logan *before* it was considered on the floor of Congress proves nothing about the purpose of the judicial review provisions in the APA or the meaning of the saving clause in Section 12.

III. THERE IS NO SOUND REASON TO CHANGE THE "CLEARLY ERRONEOUS" STANDARD OF REVIEW OF PTO BOARD FACT-FINDING

The history of 70 years' consistent application of a more searching standard of review of PTO Board fact-finding by the CCPA and Federal Circuit, the plain language of the saving clause in Section 12 of the APA, this Court's precedents in applying Section 12 as well as other saving clauses, and the structure, purpose and history of the APA all demonstrate the correctness of the lower court's unanimous holding that "section [12] of the Administrative Procedure Act permits" the "continued application of the clearly erroneous standard." Pet. App. 2a. Recognizing, however, that Section 12 alone, "neither require[d] . . . continued application of the 'clearly erroneous' standard of review to fact findings in board decisions nor preclude[d] it," *id.* at 26a, the court of appeals also examined whether its continued application was warranted. It concluded that "section [12 of the APA] and *stare decisis* together justify our continued application of this heightened level of scrutiny to decisions by the [PTO] board." *Id.* at 27a.

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ment that a more robust interpretation of the APA scope of review standard was contrary to *Vermont Yankee*).

The court of appeals gave three reasons for not altering the standard of review: (i) nothing in the court's prior decisions or experience suggested that the clear error doctrine had "become a doctrinal anachronism, nor have the premises underlying it changed to make it irrelevant or unjustifiable," *id.* at 25a; (ii) petitioner made no argument that the "current [clear error] standard of review is unworkable, intolerable, prejudicial, burdensome, or even that it adversely affects the administration of the patent system," *id.* at 24a-25a; and (iii) the current clear error standard "encourage[s] administrative records that more fully describe the metes and bounds of the patent grant" and result in Board decisions that are "well articulated and sufficiently founded on findings of fact." *Id.* at 25a.[33]

Rather than responding to any of these reasons for the Federal Circuit's adherence to settled precedent, petitioner attacks the court's reliance on policy justifications as an impermissible basis for disregarding the terms of the APA. Pet. Br. 32-38. But principles of *stare decisis* in fact were not the basis for the Federal Circuit's holding that Section 12 permitted continued application of a more searching review standard. *Stare decisis* was relied on solely for determining whether the clearly erroneous standard should be continued because Section 12 did not mandate it.[34]

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[33] The court also noted that continuation of the clear error standard would "preserve the confidence of inventors," "promote consistency between [its] review of the patentability decisions of the board and the district courts in infringement litigation," and "avoid situations where board fact finding . . . become[s] virtually unreviewable." *Id.* 26a.

[34] Sentence #1 of § 12 providing that additional requirements are neither limited nor repealed by the APA does not forever prohibit changes in such pre-APA law. If that law was imposed by statute, Congress can change it either by amending the APA or by amending that pre-existing statute "expressly" per sentence #3 of § 12. Where the pre-APA law is nonstatutory, as in the case at bar, the law can be modified either by statute (per sentence #3)

Petitioner's contrary policy arguments fail in any event. First, adoption of the PTO's two-standard scheme—whereby direct appeals to the CAFC under 35 U.S.C. § 141 would be reviewed for the first time under the substantial evidence test and indirect appeals to the CAFC (after an initial review by the United States District Court for the District of Columbia) under 35 U.S.C. § 145 would continue to be reviewed under the clear error test—will skew the review process, impose undue burdens on applicants and inevitably lead to irreconcilable results. See Pet. App. 20a ("expressed purpose" of combining CAFC jurisdiction over district court and PTO appeals "was to increase uniformity of decisionmaking in patent cases");[35] *id.* at 26a (identical review standard "promote[s] consistency between our review of the patentability decisions of the board and the district courts"). *See also Gechter v. Davidson*, 116 F.3d 1454, 1459 (Fed. Cir. 1997) ("From a practical, judicial policy standpoint . . . patentability (validity) issues such as anticipation, whether decided by the Board or by the district courts, should be viewed similarly" by this court.); *In re Leuders, supra* at 1577 (In the context of a PTO reexamination initiated as a result of a district court proceeding "[w]e might thereby be compelled to hold the same patent both invalid and not invalid over the same prior art simply because of the differing standards of review. Surely Congress's acceptance of the established practice intentionally avoided this result by entrusting us with review on a uniform basis of patent appeals, wherever they are from, in recognition of this court's 'judgment in this area of its special expertise,' " quoting *Warner-Jenkinson Co. v. Hil-*

or by the entity that created the legal rule (such as the CAFC) when the reason for the pre-APA requirement no longer continues or changed circumstances warrant its revision.

[35] *See also Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384, 1396 (1996) (Federal Circuit created by Congress to unify patent law and policy).

ton Davis Chem. Co., 117 S. Ct. 1040, 1054 (1997).). Currently a majority of patentability appeals from the PTO are made directly to the Federal Circuit because it is less expensive and less time consuming than the double-layered review alternative where the appeal must be made first to the district court. *See* Harris A. Pitlick, *Judicial Review of Decisions of the Patent Law and Practice (C909)* 93 (ALI-ABA Course of Study, May 5, 1994). Reducing the intensity of direct appeals to the CAFC under Section 141 will inevitably cause rejected applicants who have the resources to select indirect appeal via the district court under Section 145.

Second, the process for PTO fact-findings warrants the Federal Circuit's more searching review. The determination of patentability involves the adjudication of a constitutionally-based statutory right. U.S. Const. Art. I, § 8, cl. 8. Yet the PTO's administrative process for deciding that issue is remarkable for the absence of usual procedural protections designed to ensure the accuracy of agency fact-finding. Board panels are selected by the Commissioner and are not protected by the safeguards of independence and insulation required of administrative law judges. *See In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994).[36] Board

[36] In *Alappat*, the Commissioner appointed five additional members (including himself, his deputy and assistant) to supplement the original 3-member panel to rehear the original panel's determination that a patent should issue. (The original panel had reversed the examiner who requested the reconsideration by an expanded panel.) The expanded panel then reversed the original panel on a 5-3 vote with the original panel members dissenting. On *en banc* review by the Federal Circuit, the court held that the Board members serve merely as "examiner-employees of the PTO" subject to the Commissioner's control, and thus this appointment of a "stacked" Board, *id.* at 1576 (Mayer, J., dissenting), did not violate the statutory scheme. *See also id.* at n.10 ("principles respecting the independence of judges or other concepts associated with the judicial process are not necessarily applicable to Board members"); *Ex Parte Akamatsu*, 22 USPQ2d 1915 (Bd. Pat. App. & Interf. 1992) (similar appointment of an expanded panel); Michael

hearings are *ex parte* and generally held in confidence. 35 U.S.C. § 122. PTO rules of practice also do not provide for live testimony to be taken, Pet. App. 21a; *see* 37 C.F.R. § 1.133; nor do they allow cross-examination of adverse evidence, *see* 37 C.F.R. §§ 1.194(c), 1.195. Moreover, the practice rules do not prohibit consideration of materials outside the record, 37 C.F.R. § 1.196(b); nor, as the court below noted, are the "board's *ex parte* proceedings . . . 'hearings on the record' within the meaning of 5 U.S.C. § 554 (requiring trial-type procedures and a reliance on a closed record)." Pet. App. 20a.[37] In the circumstances, the "heightened scrutiny" applied over the past century to review of PTO fact-finding seems a modest but appropriate step.

Finally, petitioner argues that the Federal Circuit's application of the clear error standard is an unauthorized "interference" with the PTO's "discharge of the responsibilities that have been delegated to it by Congress" and hence a violation of this Court's precedents in *Vermont Yankee*, *Steadman* and *SEC v. Chenery Corp.*, 332 U.S. 194 (1947). Pet. Br. 39-40. That argument is premised

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W. Blommer, *The Board of Patent Appeals and Interferences*, AIPLA Bull. 188 (1992) (quoting letter from 33 Examiners-in-Chief to Commissioner identifying " 'disturbing pattern of interference with the normal course of deciding appeals' " including " 'manipulation' of the 'composition of panels' or 'special selection of panels' to reach a predetermined or predecided outcome").

[37] Petitioner has conceded that "the PTO is not subject to §§ 556 & 557 of the APA. PTO Reply Brief on Rehearing before *En Banc* CAFC at 16. Nor is it otherwise "reviewed on the record of an agency hearing provided by statute," because there is no such statutory requirement and because a closed-record hearing is not provided. Thus, the conditions of § 706(2)(E) are not met. *Accord* Brief of Intellectual Property Professors as *Amicus Curiae* in Support of Petitioner 7-8 (substantial evidence test "inapplicable here"). On the other hand, petitioner also acknowledges that something "somewhat more searching" than the arbitrary and capriciousness test of § 706(2)(A) is required. Pet. Br. 21.

on the mistaken assumption that heightened review is not authorized here by Section 12. If, however, as the court below found, the clear error standard is an additional pre-APA requirement recognized by the saving clause in the APA, then the APA obviously provides the necessary authorization and these cases are inapposite. In any case, they add nothing to the argument and have no application in determing the central issue in this case, namely, whether the APA's saving clause in Section 12 permits the continuation of the long-standing clear error standard to be applied to review of fact-finding by the PTO.

CONCLUSION

Judicial review of PTO Board fact-finding under "the 'clearly erroneous' standard (or 'its close cousins')" satisfies each of the conditions of Section 12 of the Administrative Procedure Act. It applies to matters covered by the APA, including the scope of judicial review otherwise set by Section 706(2); it is "recognized by law" because it is case law that has been applied with remarkable consistency by courts reviewing PTO Board fact-finding since 1929 and it was being applied in 1946 when the APA was enacted; and it imposes an "additional requirement" on reviewing courts (and thereby on the agencies) because it is more searching than the APA's scope of review standards. Since 1946, Congress has chosen not to modify the clearly erroneous standard despite numerous revisions of the patent code, including revisions of other provisions for judicial review. See Pet. App. 18a-19a. Finally, the clearly erroneous review standard has served the patent system well, has not caused an excessive number of reversals,[38] and has not been shown to affect APA-based

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[38] A review of the computerized records of the Federal Circuit reveals that of 368 appeals from the PTO between October 1, 1990 and September 30, 1998, the court reversed 32 or fewer than 9%. Letter from Cassandra Smith, Deputy Clerk, U.S. Court of Appeals for the Federal Circuit, to Professor Janice M. Mueller, dated December 22, 1998.

judicial review applied to any other agency. The case has not been made that the clear error standard applied by the Federal Circuit should be overturned by this Court. Therefore, the decision of the Federal Circuit should be affirmed.

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APPENDIX

APPENDIX A

Pre-1929 D.C. Court of Appeals Cases Reviewing Patent Office Fact-Findings

Oldroyd v. Morgan, 24 F.2d 1004, 1005 (D.C. Ct. App. 1928) ("It thus appears that Morgan's right to make the claim in issue has been affirmed by three concurring decisions of the Patent Office, and it is the established rule that ordinarily such decisions will be accepted by this court as conclusive, and will not be reversed, except in extreme cases, where *palpable error* has been committed.") (emphasis added).

Harbridge v. Perrin, 295 F. 927, 930 (D.C. Ct. App. 1924) ("The question for solution is one of fact. The three tribunals [of the Patent Office] found that Perrin's carrier had substantially the same construction as Harbridge's, and that the issue[d] claims read on both. It is by no means *clear that they were wrong*, and we therefore concur in their conclusion. *Rees v. White*, 48 App.D.C. 150; *Greenawalt v. Dwight*, 258 Fed. 982, 49 App.D.C. 82, and cases cited.") (emphasis added).

Hopkins v. Riegger, 262 F. 642, 643 (D.C. Ct. App. 1920) ("Both parties claim the inventive idea, each asserting that the other derived it from him. There is evidence tending to support the cause of each, but it is not necessary for us to go into an analysis of it. The three tribunals of the Patent Office decided in favor of Riegger. Where they concur, the question being one of fact, as here, we will not review the Commissioner's decision, unless it be *manifestly wrong*.") (emphasis added).

Bonine v. Bliss, 259 F. 989 (D.C. Ct. App. 1919) ("The tribunals of the Patent Office unanimously found on the issue of fact that Bliss was the first to conceive and reduce the invention to practice. The rule that we will not disturb such a finding, except for *palpable error*, applies with exceptional force to this case. No other reasonable con-

clusion could have been reached from the evidence.") (emphasis added).

Greenawalt v. Dwight, 258 F. 982 (D.C. Ct. App. 1919) ("It is well established that, where the three tribunals agree upon a question of fact, this court will not disturb their decision, unless it is *clear that a mistake was made. Jobski v. Johnson,* 47 App.D.C. 230; *Bourn v. Hill,* 27 App.D.C. 291; *Flora v. Powrie,* 23 App.D.C. 195; *Grammeter v. Thropp,* 42 App.D.C. 564.") (emphasis added).

Podlesak v. McInnerney, 26 App. D.C. 399, 405 (D.C. Ct. App. 1906) ("Where, however, three tribunals of the Patent Office have concurred in answering the question . . . [of appellee's right to make the claim], we shall follow them unless a manifest error has been committed.").

In re Beswick's Appeal, 16 App. D.C. 345, 350 (D.C. Ct. App. 1900) (affirming Patent Office where applicant failed to "make out a clear case of error").

In re Barratt, 11 App. D.C. 177, 179 (D.C. Ct. App. 1897) (refusing to reverse Patent Office in the absence of a "clear case of error").

Supreme Court
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No. 98-377

CLERK

In the Supreme Court of the United States

OCTOBER TERM, 1998

Q. TODD DICKINSON,
ACTING COMMISSIONER OF
PATENTS AND TRADEMARKS, PETITIONER

v.

MARY E. ZURKO, ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

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1. Respondents base their argument on the contention (Br. 9-13) that, before the enactment of the APA in 1946, courts reviewed factual determinations made by the Patent Office under a well-established standard, equivalent to the "clearly erroneous" standard that is presently used to review district court factual findings under Rule 52(a) of the Federal Rules of Civil Procedure. The purported existence of such a pre-APA standard is thus critical to respondents' position, but there are at least two significant flaws in their historical analysis.

First, respondents' argument depends on whether a "clear error" standard of judicial review was clearly established and consistently applied before the enactment

of the APA. Yet even the court of appeals conceded that "[i]t would be disingenuous to suggest that the courts employed a uniform standard of review prior to 1947." Pet. App. 11a; see also *id.* at 15a-16a. That acknowledged ambiguity undermines respondents' argument that a standard of review equivalent to the modern "clear error" rule was so clearly "recognized by law" as to be preserved, by Section 12 of the APA (now 5 U.S.C. 559), as an exception to the uniform standards otherwise prescribed by that Act for the judicial review of administrative action.

Second, respondents rely too blithely on parenthetical snippets from opinions written 50 or more years ago. Resp. Br. 9-13. Although many of those decisions use variations on the words "clear" and "error," or similar phrases, the contextual significance of the language respondents quote is not self-evident. Respondents make no effort to demonstrate that the decisions they cite actually applied a level of scrutiny that would be best characterized as review for "clear error," rather than review under a "substantial evidence" standard, as those terms of art are presently understood.

Of the 36 pre-APA cases cited by respondents (Br. 9-13, 1a- 2a), only four actually reversed the PTO. See Resp. Br. 12 (citing *Townsend* v. *Smith*, 36 F.2d 292 (C.C.P.A. 1929); *Reusch* v. *Fischer*, 49 F.2d 818 (C.C.P.A. 1931); *Kreidel* v. *Parker*, 97 F.2d 171 (C.C.P.A. 1938); and *In re Herchenrider*, 117 F.2d 261 (C.C.P.A. 1941)). In three of those cases (*Townsend*, *Reusch* and *Kreidel*), the court explicitly subjected the PTO's decision to de novo review—a standard that respondents contend was applied in only "a few isolated cases" (Br. 12), and which they do not advocate. In the fourth case (*Herchenrider*), the court, after a careful review of the prior art in relation to the claims at issue,

resolved its own remaining doubts as to patentability in favor of the applicant using a presumption of patentability that, according to respondents, was applied "occasionally," but was "subsequently rejected in favor of the clearly erroneous standard." *Ibid.* Thus, respondents cite no case in which a PTO determination was reversed as "clearly erroneous," but might have been upheld as supported by "substantial evidence."[1]

Moreover, the pre-APA cases that respondents cite frequently stress the PTO's technical expertise as a primary reason for employing a *deferential* standard of review. In *In re Hornsey*, 48 F.2d 911 (C.C.P.A. 1931), for example, the PTO concluded—much as it did in the present case—that a patent applicant's combination of various elements, all of which were previously known in the art, was not sufficiently original to be patentable. In sustaining that determination, the Court of Customs and Patent Appeals explained:

> The process necessarily involves a consideration of highly technical matters. The Board and the Examiner have given these matters careful consideration, and, notwithstanding appellant's exhaustive treatment of the subject, we are not convinced that

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[1] The New York Intellectual Property Law Association identifies 90 pre-APA cases that purportedly applied a "clear error" standard. NYIPLA Amicus Br. 4-5 & 1a-6a. Our review of those cases again discloses no case in which reversal of a PTO finding appears to turn on the use of a "clear error" rather than a "substantial evidence" standard. See, *e.g.*, *In re Breer*, 55 F.2d 485, 486 (C.C.P.A. 1932) (applying the presumption of patentability that respondents do not defend); *In re Engelhardt*, 40 F.2d 760, 761-762 (C.C.P.A. 1930) (indulging what amounts to a strong presumption of patentability, under "extraordinary" procedural circumstances, while allowing for further dispute on that issue in future infringement litigation).

> the Board's conclusions are wrong. In matters appealed here from the Patent Office, which involve the findings of the experts of the Office on highly technical questions, such findings are given great weight and are only rejected when it is clear that they are erroneous. Since it is admitted that all of the elements of the process are old, we are not prepared to say, contrary to the decision of the Board, that invention resulted from the combination of these old elements.

Id. at 912 (citations and paragraph break omitted). The key point of this passage is not the court's use of "clear" in proximity to "erroneous," but rather the principle that it is appropriate for the court to defer to the PTO's expertise in determining whether a patent application does or does not describe a patentable advance over the prior state of a technical art.[2]

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[2] See also, *e.g.*, *In re Ruzicka*, 150 F.2d 550, 553 (C.C.P.A. 1945) ("The subject matter involves a highly technical chemical question, and it would necessarily have to be clear that the board erred in this respect before we would be warranted in reversing its holding."); *In re Ubbelohde*, 128 F.2d 453, 456 (C.C.P.A. 1942) ("The question of what would be obvious to one skilled in the art before us involves the consideration of extremely technical matters; under these circumstances we would not be warranted in reversing the Patent Office tribunals unless we believe that those tribunals are manifestly wrong. This we cannot do upon the record before us."); *In re Batcher*, 59 F.2d 461, 463 (C.C.P.A. 1932) ("[T]he presumption [of expertise] applies, and * * * when an appeal is taken to this court, the judges of which are not supposed to be, and do not profess to be, experts in the realm of mechanics, the burden rests upon the party appealing to make it clear that the findings of fact by such tribunals are manifestly wrong."); *Rowe* v. *Holtz*, 55 F.2d 468, 470-471 (C.C.P.A. 1932) ("The question involves highly technical matters of electrical engineering, and we cannot say that the tribunals below were clearly in error in their findings."); *In re Wietzel*, 39 F.2d 669, 671 (C.C.P.A. 1930) ("In cases involving intricate and highly technical questions, * * * concurring decisions of the Patent Office tribunals will not be disturbed, unless it appears that they are manifestly wrong."); *In re Ford*, 38 F.2d 525, 526 (C.C.P.A. 1930) ("[W]hen patentable novelty has been denied by all the expert tribunals of the Patent Office, it is incumbent upon one appealing therefrom to make out a clear case of error to obtain a reversal."); cf. *Bonine* v. *Bliss*, 259 F. 989, 989-990 (D.C. Cir. 1919) ("The question of whether or not an application is allowable, and one upon which the issuance of a patent can be predicated, is primarily for the experts of the Patent Office, and will not be inquired into in this sort of a proceeding except for manifest error.").

That principle has little or nothing to do with the "clearly erroneous" standard applied by courts of appeals in reviewing district court factual findings. District courts do not possess differential substantive expertise that warrants deference by a reviewing court. Differential expertise is, on the other hand, an important aspect of the justification for the sort of deferential review that courts have accorded to the findings of specialized administrative agencies under the "substantial evidence" standard. See 5 U.S.C. 706(2)(E); see also, *e.g.*, *Universal Camera Corp.* v. *NLRB*, 340 U.S. 474, 488 (1951) (agencies are "presumably equipped or informed by experience to deal with a specialized field of knowledge," and, under the "substantial evidence" test, their "findings within that field carry the authority of an expertness which courts do not possess and therefore must respect"); *Abbott* v. *Coe*, 109 F.2d 449, 451-452 (D.C. Cir. 1939) (noting that principles of deferential review "have special force when the administrative tribunal of the Patent Office has decided a technical question within its field, for 'it is just such questions that the administrative tribunal is pre-eminently qualified to solve,'" and dealing separately with the principle

that a trial court's findings will not be disturbed unless "clearly wrong"); Stern, *Review of Findings of Administrators, Judges and Juries: A Comparative Analysis*, 58 Harv. L. Rev. 70, 80-83 (1944) (distinguishing "clearly erroneous" and "substantial evidence" standards in part on this basis). Thus, the cases respondents cite for their pre-APA "rule" often bear at least as close a functional resemblance to the administrative-review cases that developed the "substantial evidence" standard, which Congress incorporated into the APA (see *id.* at 74-77), as to the equity cases that developed the "clearly erroneous" standard now embodied in Rule 52(a) (see *id.* at 79-80, 86-87).

A final example decisively underscores the overconfidence of respondents' assertions concerning the nature of pre-APA review. As noted above, respondents cite *In re Herchenrider* as an example of a rule that was "occasionally" applied by the Court of Customs and Patent Appeals to resolve doubtful cases in favor of patentability. Resp. Br. 12. They then cite *General Motors Corp.* v. *Coe*, 120 F.2d 736, cert. denied, 314 U.S. 688 (1941), a case decided by the Court of Appeals for the District of Columbia, for the proposition that that rule "was subsequently rejected in favor of the clearly erroneous standard." Resp. Br. 12. *General Motors* did decline to apply the *Herchenrider* rule (although with a potential procedural reservation), and it reiterated the "settled law" that the court would "sustain the findings of the Patent Office and the District Court unless [it thought] them clearly wrong." 120 F.2d at 737. In its next sentence, however, the court reformulated that point, in terms that suggest caution in reading its previous statement as a simple declaration of reliance on the "clearly erroneous" standard now embodied in Rule 52(a): "In other words[,] doubt is to

be resolved, in suits to obtain a patent as in suits of other sorts, in favor of the correctness of administrative and judicial action." *Ibid.*

That need for caution is emphatically confirmed by the fact that, in declining to resolve doubts in favor of patentability, the author of the *General Motors* opinion quoted directly (120 F.2d at 737 & n.5) from his own opinion for the court some six months earlier in *Minnesota Mining & Manufacturing Co.* v. *Coe*, 118 F.2d 593 (D.C. Cir. 1940), cert. denied, 314 U.S. 624 (1941). In *Minnesota Mining*, the court sustained the rejection of certain patent claims, on the ground that the PTO's determination that the claims were "not patentable over the prior art" (*id.* at 593) *was supported by "[s]ubstantial evidence."* *Id.* at 595-595 (emphasis added). There is no ambiguity in that language, because the court explained its standard by quoting *Consolidated Edison Co.* v. *NLRB*, 305 U.S. 197, 229 (1938)—perhaps the leading case from this Court defining the "substantial evidence" standard that was later incorporated into the APA. 118 F.2d at 594 & n.12; see, *e.g.*, U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act* 109 (1947) (citing *Consolidated Edison*); Resp. Br. 13, 15 (same). Moreover, a few years later—and just three months before President Truman signed the APA—the same court reiterated its test that "a *reasonable* finding that claims lack invention should not be set aside." *Besser* v. *Ooms*, 154 F.2d 17, 18 (D.C. Cir. 1946) (emphasis added). In so doing, it explicitly noted that, although it had also stated that it would reverse factual findings if they were "clearly wrong," that "review formula [was] accurate only with respect to judicial, not administrative, findings." *Id.* at 18 n.3 (citing cases). See also *Abbott* v. *Coe*, 109 F.2d at 451 ("The question for [the court] is

not whether in our opinion there was invention, but whether the finding that there was none is consistent with the evidence."); compare Resp. Br. 14-15 (review of PTO factfinding "has always been at the level of clear error review and never [under] the more deferential substantial evidence standard").[3]

2. For similar reasons, respondents can derive little comfort from their observation (Br. 14) that the enactment of the APA caused no apparent change in the judicial review of PTO determinations. To the contrary, as a source cited by respondents themselves makes clear, there was never any doubt that the provisions of the new Act—including those dealing with judicial review—applied to the PTO. See Zitver, *The Administrative Procedure Act*, 28 J. Pat. Off. Soc'y 676 (1946); see also Ooms, *The United States Patent Office and the Administrative Procedure Act*, 38 Trademark Rep. 149 (1948). If the standards of review prescribed by the APA had been perceived as significantly different from those previously in use, then surely courts and practitioners would have noted that fact, and either adapted their practices or explained, at that time, why they would continue to adhere to different rules, despite their facial inconsistency with the new Act. Yet respondents cite no such discussion, and we are aware of none.

Under these circumstances, a contemporaneous statement like that cited by respondents, that "Other

[3] If there were any ground for doubt, it would concern whether the "substantial evidence" standard applied in *Minnesota Mining* was more *lenient* than the standard ultimately embodied in the APA, because the latter specifically requires that the existence of substantial evidence be evaluated on the "whole record." 5 U.S.C. 706; see *Universal Camera*, 340 U.S. at 477-490.

sections of the act apply to the Office only in the sense that they embody existing practices, for example, the section on judicial review" (Resp. Br. 37, quoting Zitver, 28 J. Pat. Off. Soc'y at 676) bears only one reasonable interpretation: That the standards of review prescribed by the new Act, while applicable in challenges to PTO actions, were not viewed as requiring any substantial change in past practice. The lack of apparent reaction from judges and practitioners after the passage of the APA thus confirms our point that respondents and the Federal Circuit have signally failed to demonstrate that pre-APA cases required the application of a "clear error" standard of review that would have been understood, at the time, as materially more demanding than the standards ultimately prescribed by the APA.

3. Respondents point out (Br. 15-16) that a legal rule established by judicial decision (rather than by statute) could be "otherwise recognized by law" within the meaning of 5 U.S.C. 559. We have not argued otherwise. See Gov't Br. 24-25. As respondents grudgingly concede (see Br. 16 n.14), however, the word "recognized" places some limit on what non-statutory "requirements" Section 559 may be read to preserve. Our submission (Br. 24-25) is merely what common sense and ordinary usage would suggest: That the full statutory phrase at issue, "imposed by statute or otherwise recognized by law," implies a roughly equal dignity between potential sources of "additional requirements," so that a common law (or administrative) rule should not be treated as "recognized" for purposes of Section 559 unless it was so clearly established, at the time the APA was adopted, that it could fairly be compared with

a rule "imposed by statute."[4] In light of our discussion of the pre-APA cases cited by respondents (pp. 2-8, *supra*), and the court of appeals' concession (see Pet. App. 11a, 15a) that the pre-APA cases established no "clear" or "uniform" standard of review, respondents have failed to establish that any standard of review less deferential than those prescribed by the APA was "recognized by law" at the time the APA was enacted.

4. If we nonetheless assume the existence of some such preexisting, more stringent standard of review, then the issue is whether that standard was preserved by the "additional requirements" language in the first sentence of what is now 5 U.S.C. 559. As we explain in our opening brief (at 21-26), respondents' argument on that point rests on an unpersuasive reading of the statutory text.

Respondents dispute our reading of the statutory term "requirements" (Gov't Br. 22-24) primarily by arguing that the "judicial review provisions" of the APA are not categorically "exempted from the reach" of Section 559. Resp. Br. 20-22; see also *id.* at 32-33. That is true, but unresponsive. Our point is not that Section 559 somehow exempts the Act's review provisions, or that the word "requirements" could not possibly be read to include standards of review. We argue only that, in the context of Section 559, that word —which

[4] The provision that any *subsequent* statute may be held to supersede or modify the APA only if it does so "expressly" (5 U.S.C. 559) reenforces the point, because it underscores that the APA was intended to put in place a basic, uniform framework that was not to be varied lightly. Of course, this discussion is relevant to resolution of the present case only if a non-APA standard of judicial review of agency action is properly viewed as an "additional requirement[]" within the meaning of Section 559. See pp. 10-16, *infra*.

appears not only in the first sentence, at issue here, but also in the second and third sentences of the present Section, and three times in the last sentence of the corresponding Section of the original Act (see Gov't Br. 2-3, 24)—is better read to refer to the sort of affirmative obligations that the Act imposes directly on covered agencies, or on those who invoke the agency's procedures to seek or oppose agency action. Cf., *e.g.*, *King* v. *St. Vincent's Hosp.*, 502 U.S. 215, 221 (1991) ("[T]he meaning of statutory language, plain or not, depends on context."); *Estate of Cowart* v. *Nicklos Drilling Co.*, 505 U.S. 469, 478-479 (1992) (it is a "basic canon of statutory construction that identical terms within an Act bear the same meaning").

Respondents argue further (Br. 19-20, 23-24) that if a standard of review is a "requirement[]," then the term "additional" should be read broadly to cover any non-APA standard that is "more searching, demanding, burdensome, onerous, rigorous, stringent or strict" than any prescribed by the Act itself. There is, however, a fundamental distinction between a non-APA rule that merely supplements (or "add[s]" to) any "requirement[]" imposed by the Act—such as, for instance, the additional statutory "hearing" requirement that was at issue in *United States* v. *Florida East Coast Railway*, 410 U.S. 224 (1973)—and a non-APA rule that addresses in a different way an issue that is otherwise comprehensively treated by the Act itself (and thus displaces, rather than adds to, the Act's "requirements"). A construction of the word "additional" that respects that distinction represents the more logical contextual interpretation of Section 559.[5]

[5] Compare *AT&T* v. *Central Office Tel., Inc.*, 118 S. Ct. 1956, 1965 (1998) (a statutory saving clause "cannot in reason be

5. Accordingly, this Court's decision in *Florida East Coast Railway* is entirely consistent with our interpretation of Section 559. As noted above (and in our opening brief at 26), *Florida East Coast Railway*, unlike this case, involved a pre-APA statutory directive that clearly imposed a procedural "requirement[]" of the sort contemplated by Section 559 (*i.e.*, that the agency act only "after [a] hearing"). See 410 U.S. at 225-226 & n.1, 234-235. That requirement, as the Court construed it (*id.* at 234-238), also plainly supplemented, rather than either invoked *or contradicted*, the "hearing" provisions of the APA itself.[6]

6. Respondents correctly observe (Br. 36) that the APA emerged from many years of active debate, a good deal of which "focused on the intensity of judicial review." As this Court has put the point, the Act "repre-

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construed as continuing * * * a common law right, the continued existence of which would be absolutely inconsistent with the provisions of the act. In other words, the act cannot be held to destroy itself.") (quoting *Texas & Pac. Ry.* v. *Abilene Cotton Oil Co.*, 204 U.S. 426, 446 (1907)).

[6] *SEC* v. *Morgan, Lewis & Bockius*, 209 F.2d 44 (3d Cir. 1953), on which respondents also seek to rely (Br. 27-28), similarly supports our construction of the Act. *Morgan, Lewis* demonstrates a proper application of Section 559, to rebuff an argument that the APA was intended to occupy the whole field of administrative procedure, preempting any preexisting rule that was not specifically reiterated in the Act itself, even if the rule was not inconsistent with any of the Act's own requirements. See Gov't Br. 25 & n.6. Moreover, as our discussion of these cases makes clear, there is no substance to respondents' contention (Br. 27-28) that our construction of Section 559 would "deny this saving clause any force." See also *Abbott Lab.* v. *Gardner*, 387 U.S. 136, 139-144 (1967) (discussing a pre-APA statutory mechanism providing an additional *mechanism* for judicial review of certain agency actions).

sent[ed] a long period of study and strife; it settle[d] long-continued and hard-fought contentions, and enact[ed] a formula upon which opposing social and political forces [had] come to rest." *Wong Yang Sung* v. *McGrath*, 339 U.S. 33, 40 (1950). Contrary to respondents' argument (Br. 34-40), however, that history of contention and compromise supports the uniform application, in judicial review of all agency decisions, of the standards of review that Congress ultimately chose to embody in the APA itself.

For example, respondents cite a recent study of the APA's legislative history for the proposition that Carl McFarland of the American Bar Association (ABA) ultimately "acknowledg[ed] that the final compromise provisions on judicial review 'merely confirmed existing case law.'" Resp. Br. 36-37 (quoting Shepherd, *Fierce Compromise: The Administrative Procedure Act Emerges from New Deal Politics*, 90 Nw. U. L. Rev. 1557, 1660 (1996)). But that citation is seriously incomplete.

According to Professor Shepherd's detailed discussion, although there was some confusion on the point, it was understood at the time the APA was debated and enacted that the prevailing verbal standard of judicial review was the "substantial evidence" standard articulated by this Court in cases such as *Consolidated Edison*. See 90 Nw. U. L. Rev. at 1600, 1602, 1621 & n.314, 1660, 1664; see also *Universal Camera*, 340 U.S. at 477-484. From the beginning of the debate over administrative reform, one goal of those concerned by the growth of administrative power was to subject agency action—and particularly agency factfinding—to more stringent judicial review. See 90 Nw. U. L. Rev. at 1573, 1591-1593, 1597-1598, 1613-1614, 1624, 1636-1637,

1644-1645, 1657, 1664-1665, 1680.[7] Professor Shepherd explains, however, that by the time of the "final compromise[s]" (Resp. Br. 37) in drafting the APA, those who favored changing the law to require stricter review had realized that they lacked the necessary votes. See 90 Nw. U. L. Rev. at 1655-1657, 1659-1660, 1663-1666. Especially in light of that background, the passage cited by respondents actually supports uniform application of the relatively deferential "substantial evidence" standard:

> Likewise, the ABA retreated from its demand for broad judicial review. The ABA no longer sought to permit a reviewing court to reweigh evidence under the 'preponderance of the evidence' standard — 'it would cause about as much difficulty as help.' Instead, the bar now contented itself with the Senate draft's 'substantial evidence' rule, which McFarland conceded *merely confirmed existing case law.*

Id. at 1660 (emphasis added; footnotes omitted).[8]

The centrality, from the beginning, of issues of judicial review in the years-long debate over administrative

[7] Indeed, the only disagreement concerning the existing standard of review apparently came from those who argued, perhaps rhetorically, that under existing law the courts were sustaining agency action if there was even a "scintilla" of evidence to support it. See Shepherd, 90 Nw. U. L. Rev. at 1602, 1636.

[8] Proponents of stricter review did succeed in inserting into the Act the explicit requirement that courts "review the whole record," 5 U.S.C. 706, which may have represented an incremental tightening of the common law "substantial evidence" standard. See *Universal Camera*, 340 U.S. at 477-478, 481-484, 490. To the extent that it did, however, it marks the outer boundary of what proponents of stricter review were able to achieve.

reform that culminated with enactment of the APA also belies respondents' attempt (Br. 39-40) to minimize our point (Gov't Br. 30-31) that those deeply involved in that debate specifically considered, but ultimately rejected, inclusion of the "clearly erroneous" standard among those to be legislatively prescribed. Given the attention that such issues received during the extended efforts to craft a legislative framework for the regularization and control of administrative action, that considered decision, at a critical point in the history of the legislation (during the final crafting and passage of the Walter-Logan bill), is highly probative in illuminating the final legislative compromise embodied in the APA. See Stern, 58 Harv. L. Rev. at 87-88 & n.73 (discussing the legislative debate over inclusion of the "clearly erroneous" provision, and noting that the controversy "sheds considerable light on the meaning of both the 'clearly erroneous' and 'substantial evidence' tests"); Shepherd, 90 Nw. U. L. Rev. at 1621 (noting the "heated debate * * * about the provision for the clearly erroneous standard").[9]

In view of these aspects of the APA's history, it is not enough for respondents to insist (Br. 34-38) that the judicial review provisions of the APA were intended merely to "restate" the law of judicial review. As we

[9] Mr. Stern's article, on which respondents themselves rely (Br. 13), also makes clear that respondents err in asserting (Br. 40) that the "clearly erroneous" test was deleted from the bill "*before* it was considered on the floor of Congress." See Stern, 58 Harv. L. Rev. at 88 n.73 (explaining that the provision for use of that test was debated on the floor of the House (which refused to delete it), deleted by the Senate Judiciary Committee (with an explanation offered during floor debate in the Senate), and explicitly lamented on the floor of the House, although that chamber ultimately concurred in the Senate's action).

have indicated (Gov't Br. 29), that is true as a general matter, and if the phrase is properly understood. But it does not advance respondents' position. First, as the passage we have quoted from Professor Shepherd's article makes clear, the law that Congress thought it was "restating" is—unsurprisingly—the law that is set out (or "restated") in the Act. Second, as we have seen (see pp. 1-10, *supra*), respondents have produced no evidence to suggest that the standards prescribed by the APA were perceived at the time as markedly different from some other standard that had been applied consistently in pre-Act patent cases.

Finally, even if there had been some marginal inconsistency (such as, for example, an occasional administrative decision that might have struck the court as "clearly wrong," but would nonetheless have been upheld if the applicable test clearly required only "substantial evidence"), respondents wholly fail to explain why the APA's "restatement" would not have been intended, and should not be construed, to eliminate such minor deviations from the norm. See Gov't Br. 29-30. Certainly such a construction is the one most consistent with the Act's overarching purpose of securing "stricter and *more uniform* practice." *Universal Camera*, 340 U.S. at 489 (emphasis added); see also *ibid.* (APA's adoption of "substantial evidence" test was "not a reflection of approval of all existing practices"); *Wong Yang Sung*, 339 U.S. at 41 (an important purpose of the APA was "to introduce greater uniformity of procedure and standardization of administrative practice among the diverse agencies whose customs had departed widely from each other").

7. Finally, even if the inquiry were a pertinent one, respondents fail to offer any sound reason to depart

from the APA's prescribed standards of judicial review in the context at issue in this case.

Respondents suggest three policy reasons for refusing to apply the APA's standards in reviewing PTO decisions denying patent applications. First, they second the Federal Circuit's claim that applying a more stringent standard of review will produce better administrative decisions. Resp. Br. 41 (citing Pet. App. 25a). If, however, the court of appeals concludes that the administrative decision in a particular case is inadequate to permit proper review, then the appropriate remedy is presumably to remand the case to the agency, specifying the material defects and requiring that they be corrected so that review may proceed—not to change the applicable standard of review. Cf. *Motor Vehicle Mfrs. Ass'n* v. *State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 40-44, 48-51, 57 (1983) (same standard of review applies to adoption and later rescission of agency rule, but agency must consider relevant factors and adequately explain its decisions); *SEC* v. *Chenery Corp.*, 332 U.S. 194, 196-197 (1947) (agency must adequately explain its decision; if court cannot sustain action on grounds given, proper remedy is to remand to the agency for further consideration). Moreover, it is unclear how applying a more stringent standard of review to patent *denials*—ordinarily resulting in the subsequent issuance of patents without any alteration of the record on which review was performed—would "encourage administrative records that more fully describe the metes and bounds of the patent grant" (Pet. App. 25a), or otherwise produce any result other than the issuance, on supposedly inadequate records, of patents that the expert agency created by Congress to consider such matters has concluded should not be issued.

Respondents next argue (Br. 42-43) that application of the proper APA standard in review of administrative patent denials would result in a "two-standard scheme," because factual findings made by district courts in review proceedings brought under 35 U.S.C. 145 would presumably be reviewed for "clear error." See Fed. R. Civ. P. 52(a). Whether any such difference would actually "skew the review process, impose undue burdens on applicants [or] inevitably lead to irreconcilable results" (Resp. Br. 42) is open to considerable doubt.[10] As we explain in our opening brief (at 34-36), however, any anomaly in that arrangement simply mirrors the usual

[10] In particular, there is little realistic possibility that the Federal Circuit would ever be "compelled to hold the same patent both invalid and not invalid over the same prior art simply because of the differing standards of review." Resp. Br. 42 (quoting *In re Lueders*, 111 F.3d 1569, 1577 (Fed. Cir. 1997)). The potential for rulings on the same patent under different standards would arise only if a claim included in an issued patent were reexamined and cancelled by the PTO, see 35 U.S.C. 301-307 (1994 & Supp. II 1996), but upheld by a district court in infringement litigation—and if the patent applicant opted for review of the former determination on the administrative record in the court of appeals rather than in a district court proceeding, see 35 U.S.C. 306 (conferring option). Moreover, the Federal Circuit itself has previously denied petitioner the right to stay reexamination proceedings pending the decision of a district court in infringement litigation, precisely because any "awkwardness presumed to result if the PTO and court reached different conclusions is more apparent than real. The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions. Furthermore, * * * the district court and the PTO can consider different evidence. Accordingly, different results between the two forums may be entirely reasonable. And, * * * of course, the two forums have different standards of proof for determining invalidity." *Ethicon, Inc.* v. *Quigg*, 849 F.2d 1422, 1428-1429 (Fed. Cir. 1988).

differences in appellate review of judicial and administrative factfinding, and results from Congress's historical choice to give disappointed patent applicants the option either to seek review on the administrative record in the court of appeals, or to initiate an independent judicial review proceeding in the district court, with the opportunity to expand the record, and then a further opportunity for appellate review.

Third, respondents contend that the PTO's determinations should be subject to non-APA review because its procedures for considering and acting on patent applications differ in some respects from those that other agencies use for other purposes. Resp. Br. 43-44; see generally Gov't Br. 6-9 (describing agency procedures). As the PTO has consistently argued (and as respondents and the Federal Circuit now agree), it is an "agency" subject to the requirements of the APA; and the procedures that respondents cite could therefore be challenged if they failed to conform to any applicable norm prescribed by Congress. As respondents implicitly concede, however, the agency's practices are consistent with the statutory framework prescribed by the patent laws, and they violate no provision of the APA. The present argument therefore reduces to the assertion that because Congress has not imposed on the PTO procedural requirements that respondents would deem desirable, this Court should decline to apply other provisions of the APA in accordance with their terms. That is not a persuasive proposition.

Tellingly, although respondents adduce these policy rationales to support the result reached by the court of appeals, they do not defend (or even mention) the central justification advanced by that court for its result: That it must be free to subject the PTO's decisions to "heightened * * * scrutiny" so that it may review

them "on [the court's] own reasoning," rather than on that adopted by the agency. Pet. App. 3a, 25a-27a; see Resp. Br. 44-45; compare Patent, Trademark & Copyright Section of the Bar Ass'n of D.C. Amicus Br. 4-5, 15, 24 (explicitly defending this position). As we have explained (Gov't Br. 38-41), the court's acknowledged rationale for applying a non-APA standard of review makes clear that its decision in this case exceeds the proper limits of judicial review of administrative action. Accordingly, this case ultimately involves the proper balance between the powers and responsibilities of the Federal Circuit, as a reviewing court, and the expert administrative agency to which Congress has committed primary responsibility for the administration of the Nation's patent laws. That balance was struck by Congress, after long debate, when it enacted the APA; and it may be maintained simply—but only—by enforcing that Act in accordance with its terms.

* * * * *

For the foregoing reasons, and those set forth in our opening brief, the judgment of the court of appeals should be reversed.

Respectfully submitted.

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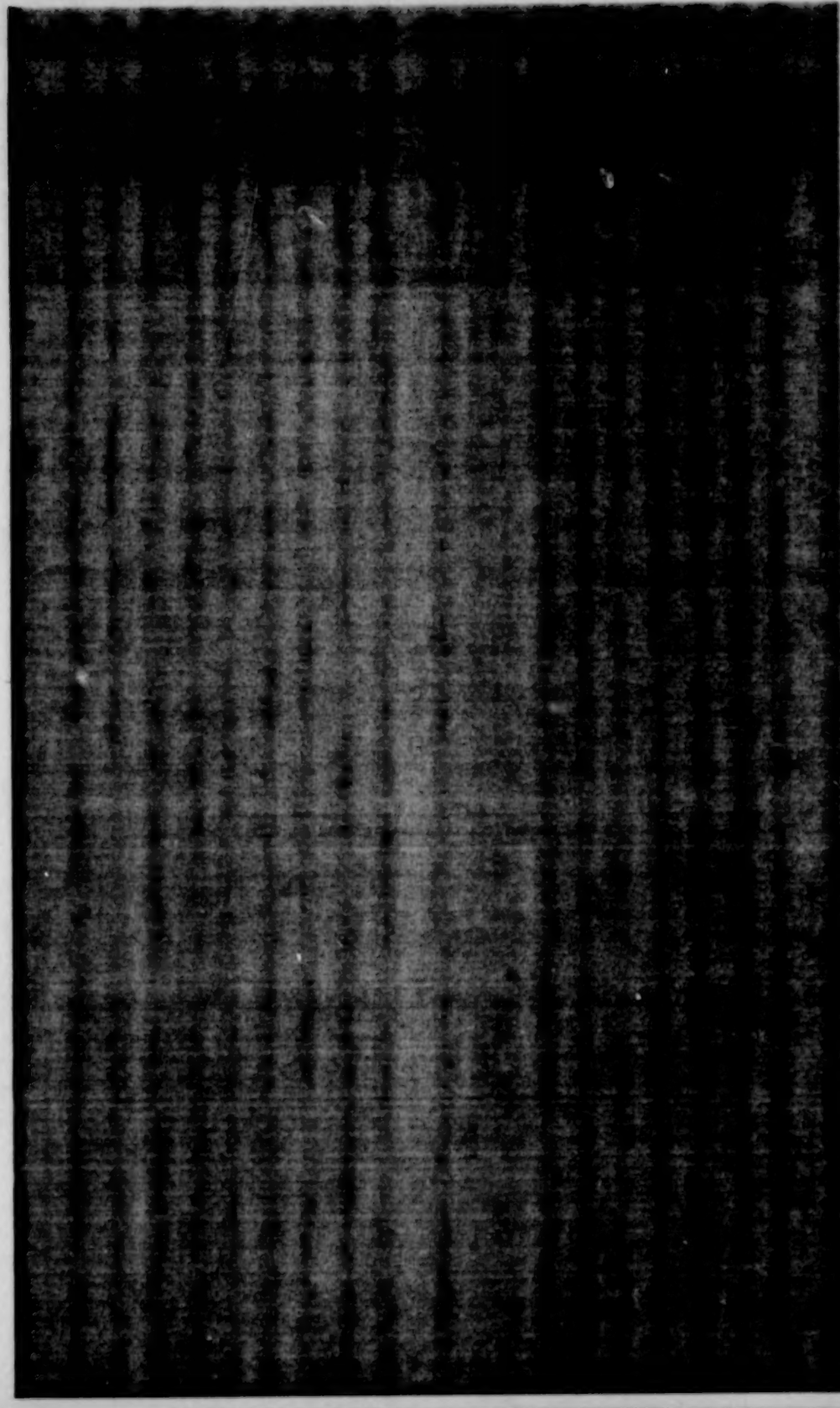
FEBRUARY 1999



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IN THE

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OCTOBER TERM, 1998

Bruce A. Lehman,
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v.

Mary E. Zurko, Thomas A. Casey, Jr., Morrie Gasser,
Judith S. Hall, Clifford E. Kahn, Andrew H. Mason,
Paul D. Sawyer, Leslie R. Kendall, and
Steven P. Lipner,
Respondents

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE THEIS RESEARCH IN SUPPORT OF PETITIONER ON THE MERITS

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Interests of the Amicus Curiae[1]

Amicus curiae Theis (pronounced "Tice") Research, Inc., holds interests in high technology voice and telecommunications patents. These do not involve the subject matter of the respondents' patent application. Theis Research is concerned for the interests of inventors of breakthrough technologies and the importance of the patent system to the Nation's economy.

The broader issue of the Federal Circuit's lack of deference to the patentability determinations of the Patent and Trademark Office (PTO) needs to be addressed by this Court. Because of the need for such deference in patent infringement (and declaratory judgment) actions, Theis Research sides with the government in this case against parties who applied for a patent for their claimed invention. The Federal Circuit's lack of deference to the prior patentability determinations of the PTO has flooded the patent system with uncertainty—casting a chilling effect on the inventive community, investment, and the marketing of new technologies.

Theis Research recently petitioned this Court for certiorari in *Theis Research, Inc. v. Octel Communications Corp. et al.* (no. 97-1773, cert. denied June 26, 1998, rehearing denied August 12, 1998). The certiorari petition in *Theis Research* addressed the uncertainty and unpredictability infused into the patent system by the Federal Circuit's approach to patentability (patent validity) challenges asserted in patent infringement and

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[1] This brief is submitted with the consent of the parties. While counsel for Theis Research has discussed this case with counsel in the Solicitor General's office and with co-counsel for respondents, this brief was not authored, in whole or in part, by counsel for a party. No monetary contribution to its preparation or submission was made by any person or entity other than Theis Research, Inc., its counsel, and Law Practice Interests LLC, a non-equity investor in Theis Research.

declaratory judgment actions.[2] The Federal Circuit refuses to accord deference to patentability determinations that have already been made by the PTO, holding such questions open for de novo litigation between private parties. Also, the Federal Circuit's standard for reviewing jury verdicts of patent invalidity for obviousness[3] has devolved to a very deferential "substantial evidence" test,[4] further eroding consistency from

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[2] Peter Theis pioneered the technology that underlies voicemail. In the *Octel* case, several of his patent claims were erroneously adjudicated invalid as obvious based on Theis' own prior invention—which was before the PTO when it determined his claims to be patentable and issued the patent. The trial court did not recognize that Theis' substantial inventive effort in discovering the sources of problems that prevented telephonic application of his prior invention was itself patentable, even though the solutions to those problems utilized known elements.

[3] Recent years have seen a proliferation of juries deciding obviousness and other challenges by alleged infringers to patent validity. *See In re Lockwood*, 50 F.3d 966, 980 & n.1 (Fed. Cir. 1995)(dissent from denial of en banc rehearing), *vacated and remanded sub nom. American Airlines, Inc. v. Lockwood*, 515 U.S. 1182 (1995).

[4] As stated by the Federal Circuit in the *Octel v. Theis Research* case (1997 West Law 697288): "TRI's arguments do not overcome its heavy burden of demonstrating that there is no substantial evidence from which a reasonable jury could conclude that the claimed invention would have been obvious from the prior art." *Theis Research* cert. pet. appendices at A-7.

See also U.S. Surgical Corp. v. Ethicon, Inc., 103 F.3d 1554, 1559 (Fed. Cir. 1997)(whether "there was substantial evidence whereby a reasonable jury could have reached the verdict reached by this jury"; "that minimum quantum of evidence from which a jury might reasonably afford relief").

The substantial evidence test does not even consider any

the patent system.

Summary of Argument

This case involves the rejection of a patent application by the PTO (Board of Patent Appeals and Interferences) on the ground of obviousness—the very same patent validity issue in the *Theis Research* case.[5] In this case, the Federal Circuit reversed under a searching clear error standard. The outcome of this case turned on the Federal Circuit's refusal to review the PTO's determination under the more deferential standards of the Administrative Procedure Act (APA)(5 U.S.C. § 706(2)(E) substantial evidence, 5 U.S.C. § 706(2)(A) arbitrary, capricious, abuse of discretion). Govt. cert. pet., app., 2a-3a.

The *Theis Research* rehearing petition addressed the paradox that permeates the entire patent system as a result of the Federal Circuit's refusal in this case to apply to PTO determinations the very deferential "substantial evidence" standard of review that it accords to jury verdicts of invalidity (as in the *Theis Research* case). Thus, for highly technical and legally complex determinations of patentability, the Federal Circuit gives the most deference to those least knowledgeable (juries) and the least—or *no*—deference to those most knowledgeable (the PTO). Though disappointed that the Court

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contrary determination by the PTO—the test only considers whether the evidence that supports the verdict of invalidity is "substantial."

[5] Under 35 U.S.C. § 103(a), the PTO does not issue a patent for any claimed invention it determines to have been "obvious." The "obviousness" test compares the claimed invention with the "prior art" (generally, the public or unprotected information available at the time of the invention) and asks whether the invention as a whole would have been obvious to a person having ordinary skill in the subject matter.

did not grant certiorari in *its* case, Theis Research urges the Court to address in this case the upside-down jurisprudence of the Federal Circuit.

Specifically, Theis Research respectfully requests that the Court address in its decision in this case the larger picture—providing guidance on appropriate judicial deference to PTO administrative determinations that also has application in patent infringement and declaratory judgment actions.

The Federal Circuit's encroachment on administrative determinations also results in unfairness to those patentees who received their patents from the PTO without having to appeal to the Federal Circuit. Under the Federal Circuit's existing jurisprudence, a patent emerging from prosecution without the Federal Circuit's imprimatur is second class. Although Theis Research does not challenge the decision below as unconstitutional per se, this inequity cannot be resolved within the confines of Article III and the existing jurisprudence.

Argument

1. By Its Lack of Deference, the Federal Circuit Has Intruded on the Administrative Functions of the PTO

In its decision below, the Federal Circuit issued an expansive assertion of its own authority in derogation of the statutory role of the PTO. The Federal Circuit's refusal to follow the judicial review standards of the APA when reviewing administrative determinations of patentability by the PTO, and its resistance to apply in the context of patent law the doctrine set forth by this Court in *Chevron U.S.A. Inc. v. Natural Resources Defense Council,* 467 U.S. 837 (1984), are

anomalous and without justification.[6] *See* Craig Allen Nard, *Deference, Defiance, and the Useful Arts,* 56 Ohio St. L.J. 1415 (1995).

The technical and scientific complexities that frequently determine patentability make it hard to contemplate a program better suited to administrative expertise. By insisting on reviewing patentability according to its "own reasoning" instead of deferring to the reasoning of PTO patent examiners, the Federal Circuit has set itself up as a super examiner. *See* govt. cert. pet., app., 3a, 25a. Such an allocation of administrative and judicial responsibilities is worse than duplicative, it fails to recognize the appropriate role and expertise of each branch.

That obviousness is ultimately a question of law (*see Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)(underlying factual inquiries); *Panduit Corp. v. Dennison Mfg. Co.*, 818 F.2d 1561, 1566-1567 (Fed. Cir. 1987)) does not undermine the appropriateness of judicial deference to the administrative

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[6] To reach its conclusion that the judicial review standards of the APA do not apply to its review of the PTO's administrative determinations concerning patentability, the Federal Circuit employed a perplexing interpretation of the legislative history of the APA. An early version of the APA legislation contained an express exclusion as to the (then) Patent Office. Govt. cert. pet., app., 7a. This exclusion did not appear in the version of the APA that was enacted. Instead of making the customary interpretation that the exclusion should not be inferred after it has been explicitly omitted from the final version of the legislation enacted by Congress, the Federal Circuit cited the prior existence of this exclusion in the early version of the legislation as reason to imply an exclusion of the Patent (and Trademark) Office from the reach of the APA standard of review. Govt. cert. pet., app., 8a-9a. To summarize the Federal Circuit's "logical" construct: if not A, then A.

determinations by the PTO. Judicial deference to the determinations of a responsible administrative agency extends to questions of law (*see Chevron U.S.A. Inc. v. Natural Resources Defense Council*, 467 U.S. at 844-845), particularly with respect to a highly technical regulatory program requiring significant expertise (*Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994); *Pauley v. BethEnergy Mines, Inc.*, 501 U.S. 680, 697 (1991)). This accords with the presumption of validity set forth in 35 U.S.C. § 282, which attaches once a patent has been issued by the PTO.

2. The Federal Circuit's Current Approach Has Flooded the Patent System with Costly Uncertainty

As this Court recognized in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 100 (1993), questions of patent validity are important to the public at large. In that case, the Court overturned a Federal Circuit practice of leaving controverted validity questions unresolved once an accused product was determined not to infringe the patent.

Uncertainty over the validity of a patent has far-reaching consequences. It has a chilling effect for the life of the patent. The uncertainty affects the industry that the patent concerns, including competitors and customers. It increases risks for investors, clouds the future for the employees of small businesses that develop innovations, increases the difficulty of start-up and getting innovations to market, and encourages infringement.

In both appeals from patent application denials and infringement/declaratory judgment actions, the Federal Circuit's lack of deference to PTO determinations invites litigation. An unsuccessful patent applicant is encouraged to ignore the reasoning of the administrative finding and litigate an appeal.

A successful patent applicant is often in a worse position. Infringers are encouraged to litigate the validity of the patent by the same knowledge that the administrative finding will be ignored. Notwithstanding the statutory presumption of the validity of an issued patent, exceedingly complex patentability questions are tried to juries de novo based on private expert witness testimony without any appearance by—let alone deference to—the PTO.[7] Often, a jury must make these retrospective decisions many years after a patent has issued—long after the invention has become part of ordinary trade and commercial use. The Federal Circuit then defers to jury verdicts of invalidity under the substantial evidence test that it refuses to apply to PTO determinations of the very same issues. *Cf.* fn. 4, *supra, and* govt. cert. pet., app., 2a-3a, 5a-6a (5 U.S.C. § 706(2)(E)).[8]

The common thread in both types of cases is the Federal Circuit's misguided view that the patentability/validity determinations already made by the PTO should be redone—

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[7] The Federal Circuit's misapplications of standards of review is all the more dismaying given the statutory prescription that an issued patent carries a presumption of validity; no such presumption applies where a patent has not been issued. *See* 35 U.S.C. § 282.

[8] The commercially valuable patents of independent inventors have become bait for litigation. It is no secret why a substantial infringer would prefer a random and costly litigation process over a request for reexamination of patent validity by the PTO under 35 U.S.C. § 302. Rather than obtain licenses to use these patents, major infringers are economically motivated to intimidate under-financed patent holders with threats of costly trials of validity issues, disappearing deference to the PTO, and the statistical inevitability that sooner or later a legitimate patent claim will be defeated by a jury—and affirmed by the Federal Circuit under a substantial evidence test. These threats are real and, therefore, effective.

by a jury (the *Theis Research* case) or, if a jury is not available to be saddled with this task, by the Federal Circuit itself (this case). Either way, the Federal Circuit invites litigation to reopen the questions. The determinations of the PTO—both as to patents issued and applications denied—have become meaningless.

In its en banc decision in this case, the Federal Circuit erroneously anticipates that its approach "will preserve the confidence of inventors who have relied on this standard in prosecuting their patents. It will also promote consistency between our review of the patentability decisions of the board and the district courts in infringement litigation." Govt. cert. pet., app., 26a. As noted, a patent applicant who is successful before the PTO has no reason for confidence in an administrative decision that commands little respect from the Federal Circuit.

Moreover, the Federal Circuit's frequent application of a very deferential "substantial evidence" test to jury verdicts of patent invalidity belies the suggestion that the Federal Circuit would actually "promote consistency" by redoing the PTO's work when reviewing appeals from application denials. Instead, this approach results in a paradox.

If it faithfully applies its substantial evidence standard of review to jury verdicts of invalidity, the Federal Circuit may very well have to affirm an invalidity verdict for a patent claim that the Federal Circuit itself had previously directed the PTO to issue based on the Federal Circuit's greater scrutiny of the same patentability question at the prosecution stage. (The possibility of such a case is demonstrated by the present case, where the Federal Circuit concedes that the result turns on its standard of review. Govt. cert. pet., app., 2a-3a.) By virtue of such cases, the Federal Circuit's determinations, in addition to the PTO's determinations, are subordinated to jury verdicts of

invalidity. *In effect, the Federal Circuit's jurisprudence erodes its own authority and compromises the integrity of its judgments.*

Instead of promoting consistency, the lack of deference to PTO patentability determinations has had the opposite effect—stripping reliability and predictability from the patent system. If PTO patentability determinations are not to be taken seriously, we may as well not have a patent system at all—just de novo litigation of "priority of invention" claims. Such a decision should be made by Congress, not the Federal Circuit.

3. The Federal Circuit's Encroachment on the Administrative Functions of the PTO Denies Certainty to Those Patents More Deserving of Certainty

A. Two Classes of Patents Now Emerge from the Prosecution (Issuing) Stage

In alleging that its standard of review in this case will "promote consistency between our review of the patentability decisions of the board and the district courts in infringement litigation," the Federal Circuit makes a short-sighted claim to enhancing the reliability of patents. If this contention is to be given any credence, it is a glaring—if unintended—indictment of a two-class system that the Federal Circuit has established.

The Federal Circuit implies that where the Federal Circuit decides that a patent should issue, the patent is dressed with reliability. Presumably, to spare the Federal Circuit the challenge of a verdict that reverses a prior Federal Circuit determination of patentability, the trial courts will be disinclined to allow an invalidity judgment for a patent claim already determined by the Federal Circuit to be patentable.

However, the only patent claims that receive the blessing

of the Federal Circuit's imprimatur during prosecution are those so marginally patentable that they were rejected by the PTO in the first instance. Inventions determined by the *PTO* to be patentable do not receive the benefit of the Federal Circuit's seal of approval. The reliability of any patent issued in the first instance by the PTO is suspect—its patentability has not been decided by an agency whose "own reasoning" counts.

B. As an Article III Court, the Federal Circuit Cannot Remedy the Inequity That Results from Its Current Approach

The Federal Circuit lacks the power to resolve this inequity by granting its imprimatur during prosecution to patents issued in the first instance by the PTO. Under the Federal Circuit's current approach, an inventor whose right to a patent is strong enough to obtain issuance from the PTO in the first instance must face—years down the road—the gauntlet of patentability challenges in infringement (and declaratory judgment) actions—without the Federal Circuit's imprimatur, and without any APA-level deference to the PTO's patentability determinations.

As an Article III court, the Federal Circuit is constitutionally proscribed from granting its imprimatur at the prosecution stage to a patent applicant who has been successful before the PTO. The Federal Circuit may not issue advisory rulings endorsing the patentability determinations of the PTO.

The judicial power of the United States extends only to cases and controversies. U.S. Const., Art. III, § 2. Three criteria comprise the core of Article III's case-or-controversy requirement (the "irreducible constitutional minimum of standing"): an alleged injury in fact, a fairly traceable connection between the injury and the complained-of conduct of the defendant (or respondent), and a likelihood that the

requested relief will redress the alleged injury. *Steel Co. v. Citizens for a Better Environment*, __US __, 118 S.Ct. 1003, 1016-1017 (1998); *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992).

To be sure, any commercially valuable patent issued under the cloud of the Federal Circuit's existing jurisprudence of uncertainty is immediately imbued with controversy. But it would strain the credibility of the constitutional test for standing if an applicant were to contend "injury in fact" by virtue of the PTO's issuance of the patent for which application was made. In other words, constitutional standing criteria do not permit an applicant who succeeds in obtaining a patent from the PTO to turn around and claim to be aggrieved by the PTO in order to seek the Federal Circuit's endorsement.

The answer to this conundrum is to set right the respective roles of the courts and the PTO in the patent system. Patentability determinations by the PTO should be accorded deference according to the standards set forth in the APA—both at the prosecution stage and later in infringement and declaratory judgment actions.[9]

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[9] If, for any reason, the Court decides to affirm the judgment of the Federal Circuit below, Theis Research still requests that the Court address in its decision the bigger picture affecting the patent system. Theis Research would, in that event, request that the Court give guidance addressing the anomaly resulting from the Federal Circuit's decisions below and in patent infringement (and declaratory judgment) cases. Specifically, Theis Research would request that the Federal Circuit be directed, when reviewing jury and trial court determinations of invalidity, to employ consistently a clear error standard (using the Federal Circuit's "own reasoning") as to questions of fact and de novo review as to questions of law (including ultimate determinations of obviousness).

Conclusion

Theis Research, Inc., as amicus curiae, respectfully requests that the Court reverse the judgment of the Federal Circuit and provide guidance on appropriate judicial deference to PTO administrative determinations of patentability that has application in patent infringement and declaratory judgment actions as well as in appeals from patent application denials.

Respectfully submitted,

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On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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Introduction

The Federal Circuit's *in re Zurko* decision brings to this Court's attention the standards under which patent validity is determined. Problems with the patent system can be ameliorated by having the courts afford the PTO deference under the Administrative Procedure Act during patent prosecution *and* patent litigation. Our concern is not the legal arguments on whether the PTO is subject to the APA. Nor is it the narrow issue concerning appeals involving *patent prosecution* from the Patent Office. Our concern is the broader issue of deference to the PTO decisions especially during *patent infringement litigation*.

The Federal Circuit's lack of deference in *Zurko* exemplifies its general lack of deference to PTO patentability determinations. The failure of the Federal Circuit to defer to the PTO according to APA standards in direct appeals from the PTO in patent prosecution has undesirable consequences. It encourages litigation and it redoes administrative work already performed by the PTO. This failure in patent infringement cases has far more severe consequences. It causes great uncertainty in the patent system and greatly disrupts the environment necessary to develop, finance and bring new technologies to the market.

At IPC, we did a study of independent inventors who tried to use the courts to enforce their patents. It showed that the patent system is feckless and unreliable for these inventors. This is troubling as independent inventors are *the* major source of innovation. As such, good public policy is to ensure that the system works effectively for them. In 13 of the 14 cases in the IPC study, the inventor lost; In 6 of 8 cases where patent validity was an issue, the inventor lost on validity.

Interests of the Amici Curiae

The signatories represent a variety of people and organizations that believe the independent inventor is important to tech-

nological progress. Paul Heckel, the Founder and President of IPC, is the principal author of this amicus brief. While all of the amici believe this brief to be true, none attest to accuracy of the parts of the study of which they have no knowledge. This brief provides background information for the Court's consideration.

This Court denied certiorari in a petition by the same amici in another case on this same issue: *Theis v. Octel* in case 97-1773.

The Amici are:

Intellectual Property Creators[1] **(IPC)** is a non-profit organization of independent inventors. It was founded in 1994 by battle scarred inventors.

IPC represents the public policy interests of independent and entrepreneurial. In contrast, organizations like the Intellectual Property Owners and American Intellectual Property Law Association represent large companies and patent law firms whose job is more to protect vested interests than to challenge them. Such organizations often benefit from the complex and uncertain jurisprudence rather than simplicity and predictability. IPC is largely a pro bono effort.

Three of IPC's five founding board members, Dr. Damadian, Dr. Greatbatch, and Dr. Rines, are inductees into the National Inventors Hall of Fame[2]. (See Appendix A for IPC's board members)

Dr. Franco Modigliani, an inventor and patent holder, is a Nobel Laureate economist. With Robert Solow, he organized a letter to Congress signed by 26 Nobel Laureates on patent legislation that would adversely affect independent inventors.

The United Inventors Association of the USA (UIA-USA) is an umbrella organization of inventors groups throughout the country representing 3000 inventors. Established in 1990 at the

[1] More information on IPC and information in support of this amicus brief can be found at the IPC website at http://www.heckel.org

[2] For a complete list of inductees see their website at www.invent.org

urging of the U.S. Department of Energy, the UIA-USA is dedicated to educating creative individuals in developing new product concepts.

The American College of Physician inventors is an organization of over 100 physicians who are inventors.

PatentEnforcement Fund (PEF) and **Intellectual Property Reserve Corp**. (IPRC) are companies that fund patent litigation and whose cases are included in the IPC study reported below.

David Pressman is a patent lawyer and is the author of *Patent It Yourself (*Nolo Press, 1997). a self-help book that has sold over 170,000 copies. He is also counsel of record.

Summary of the Argument

In May and June of 1998, Intellectual Property Creators reviewed the results of 14 patent cases of independent inventors that it had been following and that had been ultimately decided by the Federal Circuit. These inventors paid fees to the government to get their patents and expected as part of that bargain to get protection in the courts. Yet, 13 out of 14 cases were ultimately decided against the inventors, thus rendering useless their property rights in their patents—a right they reasonably relied on in developing their inventions, building their businesses and planning their lives. We were most disturbed by these results.

We believe this problem will be greatly ameliorated if the courts will provide deference to the PTO in validity determinations. This will move such decisions from those least competent and experienced in technology and the patent law (the courts) to those most competent and experienced (the PTO)[3].

[3] The Federal Circuit, of course, has a particular focus on patent law, but the District Courts do not. Further, the Federal Circuit's role in hearing appeals in patent cases does not mean it should displace the PTO's administrative role in making patentability determinations, let alone supercede the technical expertise of the PTO examiners.

The data of the IPC study strongly supports this. In 6 of the 14 cases in the IPC study the inventors lost because the courts overturned PTO determinations of patent validity. In 4 there was no new evidence; in 2, the new evidence was dubious. The courts' decisions of patent validity are dysfunctional and unpredictable. They are not fulfilling the intent of the Legislature. They are not providing justice. They are not promoting "the progress of science and useful arts"[4] as intended by the Framers of the Constitution. The effect is to eviscerate our most important engine of wealth creation.

The Federal Circuit's decision sends a chilling message to independent inventors that it is doubtful that the courts will uphold the validity of their patents. Some of the costs of this dysfunction patent system are:

(1) It removes the incentive to bring new ideas to the marketplace;

(2) It destroys the confidence and predictability necessary for investment in new technologies;

(3) It vitiates an important source of wealth creation..

In brief, the Federal Circuit's current approach is frustrating the encouragement and promotion of invention.

We believe that the results of our study are caused by many judges being in unfamiliar territory in dealing with patent cases. Try as they do to be impartial, the uncomfortable situation creates a bias against inventors who challenge the establishment. Now that we have identified the bias, we are in a position to eliminate, or at least reduce, it.

The *in re Zurko* case gives this Court an opportunity to consider the issue of deference to PTO decisions. The Court could take a narrow view confining its decision to whether the Federal Circuit should provide APA deference to PTO decisions on di-

[4] U.S. Constitution, Article 1, Section 8

rect appeals from *patent office proceedings*. Of importance in the future is the broader question of whether the courts will afford deference to PTO decisions during patent *litigation*. That is the issue that most concerns us here. This brief is written to bring objective evidence to the Court's attention as background material on this issue.

With the current system, validity decisions are often uncertain, expensive and time-consuming. An annoyance for big companies, it is devastating for independent inventors and entrepreneurs.

The current system where the courts get to second guess PTO decisions comes at a high cost. Requiring the courts provide deference to PTO patentability decisions would move the decisions to those who have the appropriate expertise, the PTO. The system would be fairer, faster, and more predictable. This means that more cases will be either dropped or settled.

To get their patents respected, an inventor is usually forced into expensive protracted litigation against big companies and their high powered law firms. The inventors' lives, health, well-being and companies ruined, their hopes and dreams destroyed, and their reputation besmirched such as by false charges of inequitable conduct. And, the courts second guess the PTO determination and usually declare, without new evidence, the patent to be invalid.[5]

These cases demonstrate that a patent is often a curse in disguise. It can be dangerous to have. As one inventor said after going through the process: "It was my life and now it's gone."

Our argument is that since independent inventors create a disproportionate share of inventions, it is good public policy to

[5] The extent of the vilification of independent inventors will go is indicated by Jerome Lemelson, one of the inventors in the IPC case study. He was unjustly made a poster boy for anti-independent inventor legislation (e.g. HR 400 and Senate 507) by being accused of creating "submarine patents."

support and encourage their efforts. Our secondary argument is fairness to inventors.

As inventors our needs are reasonable:

- Court decisions that are predictable, timely, have a reasonable cost, and are fair..
- Enforcement of the Constitutional and legislative intent

  To promote the Progress of Science and useful Arts, by securing for limited Times to ... Inventors the exclusive Right to their ... Discoveries."[6]

- Equal justice under law: In patents, as elsewhere, isn't one of the major duties of the courts to protect the property rights of the weak against the strong?

Chief Justice Rehnquist, in his opinion in *Daubert v. Merrill Dow Pharmaceuticals, Inc*, 509 U.S. 579, 599 (1993), noted that many of the submitted briefs were

> "... markedly different from typical briefs, in that large parts of them do not deal with decided cases or statutory language."

He presumably found those amicus briefs helpful as providing useful background. We hope this Court will find this brief similarly useful as providing background information.

This is what we have to say:

1. There is an existing system for getting decisions made closest to those who have the most relevant knowledge. The APA has been doing this for years with many different government agencies. It should by applied to the PTO. Currently, without deference to PTO decisions, those least technically and legally experienced (as to patent laws)—the courts—are regularly

[6] Article 1, Section 8.

second guessing those most technically and legally competent and experienced in the area—the PTO.

2. There are severe costs in the current system as applied. The empirical evidence of the IPC study demonstrates convincingly that the courts' application of current standards produces unpredictable, uncertain, untimely and biased results against independent inventors, especially with respect to patent validity. Lincoln[7] said "The patent system ,,,, added the fuel of interest to the fire of genius." The courts are quenching Lincoln's fire.
3. "...The current system results in a substantial bias against independent inventors. We believe that the explanation is that independent inventors are outsiders, and, when a case is unclear or difficult, as patent cases usually are, the courts favor establishment over "outsiders" who challenge establishment institutions. That has been true of women and racial minorities. Studies show that the victims of miscarriages of justice are usually outsiders such as racial minorities or immigrants. Independent inventors are by their nature outsiders and rebels. It is their strength—it provides them with the different view that helps them invent—and it is their curse as it marks them as potential victims of injustice.
4. Independent inventors play the major role in creating *important* inventions and technologies–more than universities and corporations whose inventions are generally incremental.

Who Are Independent Inventors?

Independent inventors are usually entrepreneurial inventors as most of them start companies to develop and market their inventions. They are often rebels by nature and pursue their inventions outside of a corporate or government environment—usually in the face of conventional wisdom and opposition from friends and associations. They do not fit naturally in organizations and op-

[7] Lecture on Inventions and Discoveries.

erate without corporate life support systems. They take on the financial risk of developing their invention and bringing it to market. They do what is necessary--selling, raising money, and improving their basic invention.

In his book *Born to Rebel Birth Order, Family Dynamics and Creative Lives (Pantheon, 1996)*, Frank Sulloway provides impressive evidence that some people, especially firstborns, tended to be defenders of the status quo, while others, usually laterborns tended to be creative rebels. His theory shows that creators often have a rebellious anti-establishment nature[8]. As rebels, such people are potential victims of injustice.[9]

Organizations are often useful in developing inventions—they are more likely to be run by conservative firstborns. Inventions, however, are the creatures of individual minds--usually laterborn rebels. Society needs both.

In contrast to independent inventors, corporate inventors are on salary and incur little financial risk. When the money runs out, they generally switch to a different project or company. They work on projects funded by their companies, that is to say, projects that were approved by a committee and so reflect the conventional wisdom as to what should be invented.[10]

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[8] From the perspective of established institutions, such people are "troublemakers." True, but so were Jesus Christ and Thomas Jefferson.

[9] That inventors are natural prey to predators is suggested by the proliferation of invention marketing companies that purport to help inventors sell their inventions. Most, if not all, are fraudulent. See the inventors awareness group at www.fplc.edu/iag/iag3.htm

[10] Most important inventions in companies is done by inventors who are rebels, often working without management approval. The hard disk drive was developed at IBM in spite of orders to kill the project (Jewkes). The Polymerase Chain Reaction that makes DNA fingerprinting possible and as recently resulted in exonerating 56 people found guilty of rape or murder was invented by Dr. Kary Mullis in his spare time and without support from his company. For this he received a Nobel Prize. His company sold the patent for $300 million and gave him a $10,000 bonus.

That inventors are creative rebels who are potential victims has long been the case. The first patent holder that we can identify was persecuted by the powers of the time. He was Galileo Galilei.[11] The nature of invention has not changed in millennia for one simple reason: the nature of man has not changed. Nor has the nature of organizations. Nor is either likely to[12].

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[11] Reston, James, Jr., *Galileo: A Life* HarperCollins, 1994

[12] The idea of a shift from the "garage inventors of the past to the modern corporation or government sponsored research as a source of important inventions is a common error. Didn't the Wright Brothers invent the airplane in an era when the government didn't fund research: Didn't the Manhattan project demonstrate the inventions are now made by big organizations?

The answer is "No!" Samuel Langley received $50,000 from the U.S. Congress to develop an airplane. He failed. As the *New York Times* said on December 10, 1903, just seven days before Kitty Hawk:

> We hope that Professor Langley will not put his substantial greatness as a scientist in further peril by continuing to waste his time and the money involved in further air experiments. Life is short, and he is capable of services to humanity incomparably greater than can be expected to result from trying to fly. For students and investigators of the Langley type there are more useful employments with few disappointments and ramifications than have been the portion of aerial navigators since the days of Icarus."

The Atomic Bomb and nuclear reactor were invented by Leo Szilard who filed for a patent in early 1932. Szilard persuaded Einstein to write his famous letter to Roosevelt, launching the Manhattan Project. (See Lanouette, William, *Genius in the Shadows*, Scribners, 1992 and *Who Invented the Atomic Bomb* by Paul Heckel on the IPC website at www.heckel.org/heckel/szilard.htm

Organizations are useful to developing many inventions But inventions are created by the individual minds of creative rebels, not establishment people. The Wright Brothers rejected the establishment wisdom of Langley and pursued their own concept. Szilard's ideas were first rejected by most of the physics community. Though both were right, both suffered severely at the hands of the establishment figures. Many consider Wilbur Wright's early death to be due to the rigors of his patent infringement trials. According to Lanouette:

Should the Federal Circuit Micromanage Validity?

Currently, by not giving the PTO deference under the Administrative Procedure Act, the Federal Circuit micromanages patent validity determinations. Yet patent cases comprise only about 1/3 of the Federal Circuit's caseload. Rarely is a judge expert in the technology involved in a case, and most judges come to the bench, even to the Federal Circuit, without expertise in patent law. Yet the courts routinely override PTO determinations of patentability or affirm, without a serious review, cases appealed from the district courts.

Validity decisions are made in three places:

1. In the PTO during examination and reexamination procedures.

2. In the district courts by juries or judges who typically decide few patent cases and so are not familiar with patent law or experienced in a variety of similar cases to provide perspective.

3. By the Federal Circuit which does not have the time to review in detail each of the cases appealed to it and has moderate perspective on a variety of similar patents in a technology.

Table 1 has the decision-making attributes for these entities.

	Federal	District	PTO

Szilard's feisty rationality clashed repeatedly with the headstrong efficiency of this West Point Graduate [General Groves, head of the Manhattan project]...Before the war was over, Groves would try to have Szilard jailed as an "enemy alien," ordering agents to follow him and to open his mail, and force him off the Manhattan Project payroll during a year long dispute over the chain reaction patent. (Interestingly, Chief Judge Mayer of the Federal Circuit is a West Point graduate.)
The history of these two inventors illustrates that the nature of invention requires creative rebels.

	Federal Circuit	District Courts	PTO
Patent Law Expertise	High	Little	High
Technical Expertise	Some	Little	High
Specialization	Some	Geographic	By technology
Consistency means	Deference to Supreme Court	Deference to Federal Circuit	Management mechanisms ensure consistency across technologies.
Quality Review	No	No	Yes
% patent cases	About 35%	About 2%	100%
Years from invention	Typically a decade	Typically a decade	Typically 2 or 3 years.
Perspective	One of several areas	Little, as patent cases are rare	Many similar cases. Day in and day out work..
FUD Factor	Medium	High	Low

Table 1: Comparison of Decision-Making Entities

The Federal Circuit has an important role in creating a consistency across technologies and in reviewing the district courts for compliance. However, reexamining validity decisions under the "clear error" standard and not seriously deferring to the PTO on validity, makes the system dysfunctional. Because of the courts' caseloads, it increases the cost and time involved in reaching a final decision. Most important it leads to cursory review of many cases.

1. The PTO has much greater expertise than the courts in technical matters. This is important as obviousness is a matter of both fact and law. It is the PTO's stock in trade.

2. The PTO has expertise and substantial experience in patent law. Dealing with the legal issues involving patents under the guidelines of clear precedents is the PTO's day-to-day work. .

3. The PTO, unlike the courts, does quality review. It has senior examiners reexamine about 4% of patents after a notice of allowance and the patent is issued. Administratively, qualify review is a parallel structure to the normal examining groups.

4. The PTO has a hierarchical structure in the different technologies. Its standard management procedures enforce a consistent standard of validity across its many technical disciplines. In issuing over 100,000 patents a year, its experience far exceeds the courts.

5. The PTO is much more experienced in determining patent validity than the courts. Only about 35% of the Federal Circuit's cases are patent cases. Only about 2% of the district courts' cases are patent case.

5. The PTO makes its decision when it examines patent applications, usually close in time to the invention when its value is not yet known, while the courts do it later when the facts are distant, the patent's value is known, and substantial sums are involved. Which environment is more prone to bias and manipulation?

These factors strongly suggest that the Federal Circuit's proper role should be an oversight one consistent with *Chevron* deference. It should not micromanage each case. Such a role would free the Federal Circuit from having to review each validity appeal on the Federal Circuit's reasoning rather than the lower

court's. This would free time for more thorough reviews[13] of district court decisions that do not involve a prior determination by the PTO.

Where There is New Evidence of Patent Validity

Without *Chevron* deference, an infringer will always be able to find a scintilla of evidence that was not considered by the PTO from which to argue invalidity in court. If an accused infringer wishes to challenge a patent's validity, we believe he should address the issue to the PTO through the existing reexamination process. The courts should stay any patent litigation pending a PTO decision.

The Effects of PTO Deference Under the APA

We believe that review of patent validity according to APA standards and *Chevron* deference will result in faster, less expensive, and more predictable decisions as major issues would be disposed of prior to litigation. This would make it less likely that the courts would find a way to dispose of a case without giving it serious consideration. Moreover, increased predictability will mean that more cases will settle. While our view is a practical one based on inventors who have been involved in patent litigation, our point of view finds favor in academia. In *Deference, Defiance and the Useful Arts*, Professor Craig Allen Nard (56 Ohio State Law Journal 1415 (1997) argues that the courts should give the PTO deference under *Chevron U.S.A. v Natural Res. Def Council*, 467 U.S. 83 (1993) [14]

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[13] Many of the inventors in the IPC study felt the Federal Circuit rubber stamped their district court decisions. This is not true in all cases. For example, the Federal Circuit appears to have given considerable thought to the *FONAR v. GE* case, but by this time Dr. Damadian was recognized by the establishment.

[14] Dr. Nard concludes his analysis with:

> ... I have asserted that the Federal Circuit's standards of review and its "traditional tools of statutory construction" result in a less than optimal balance of interpretive power between itself and the PTO.

IPC Study Shows Cost of Not Using the APA Standard

IPC brings objective evidence to this issue. It conducted a study of 14 cases where independent inventors sued big companies to enforce their patents. The independent inventor prevailed in only one case. In 4 of these cases the patents were declared invalid based on the same prior art that was before the PTO. In 2 more cases the patents were ruled invalid on the basis of dubious prior art. In only 2 of the 8 (25%) cases were the patents ruled valid. This contrasts the Federal Circuit overall appears to uphold the validity of 75% of the patents. In one of the 2 cases where the inventor won on validity, the judge overruled a jury verdict of $2,400,000 and reduced damages to $400,000. This forced the inventor into bankruptcy and he suffered such a life crisis that he is currently in prison in California where he is a Catholic chaplain. We count this case a loss.

That the independent inventor rarely prevails means that the procedures of the system create a strong bias against an extremely innovative part of society—independent.[15]

The Inventor Prevailed in Only One of 14 Cases.

In most, if not all, cases, people knowledgeable about patent law were involved in making the decision to finance and proceed with litigation. Yet, the inventor prevailed in only 1 of the 14 cases. The chance of winning only one case out of 14 (assuming a 50% chance of winning a case) is about 0.09%, or 1 chance in

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The *Chevron* decision dictates that the Federal Circuit dispense with its de novo review and apply the Chevron two-step to questions of patent validity, especially those involving a non-obviousness determination. Furthermore, *Overton Park, State Farm* and §706(2)(A) of the APA strongly suggest that the court stop treating the PTO as if it were an Article III court, and apply the "arbitrary and capricious" test when reviewing the fact findings of the PTO.

[15] Preparing this brief stimulated in the author's memory the haunting voices of despair of several inventor victims he has talked to over the years.

1100. We did not include cases where settlement was reached as the issue is what the *courts* do--that is what affects settlement terms.

The results of our study are compelling evidence that there is a substantial systemic bias against independent inventors. We believe that several factors contribute to the bias against those who are not part of the establishment—those who are outsiders, and creative rebels. The nature of independent inventors is to challenge conventional wisdom and established institutions. They think outside the box. This explains why creative rebels come up with a disproportionate number of important inventions and why they are victims waiting to happen.

While independent inventors are not part of the establishment, big company infringers and judges are. There is a natural tendency to defer to others in the establishments and be dismissive to outsiders, but also the law favors those who are part of the status quo. In the patent litigation discussed here, both the judge and the big company were part of the establishment; the independent inventor was an outsider. Many inventors who have been in litigation believe that their judges begin cases with a bias against them. At minimum, there is a perception of bias.

Bad case selection or poor lawyering can explain individual cases, but it cannot explain away the overall result. This highly statistically significant result of losing 13 of 14 cases (1 chance in 1100) means that the legal system is so strongly biased against independent inventors as to be useless for them. Indeed, it is worse than useless as it promises protection the inventors rely on which proves evanescent .

	Bullock	Damadian	Dargon	Evans	Goldwasser	Hazani	Kahn	Lemelson	Lockwood	Marino	Pardo Landau	Rogel	Theis	Wolstenholme	Total
IPC		*			*			*	*		*		*	*	7
IP Reserve			*						*	*					3
PatentEnforcement	*			*		*	*					*		*	6
Total Cases	*	*	*	*	*	*	*	*	*	*	*	*	*	*	14
Prior Art (*= Same, a=additonal)	*		a			a			*				*	*	
Ruled Invalid (lc,ac)	*		*			*	*		*				*	*	7
Determinative to result	*	*	*			*	*		*				*	*	8
Peripheral Issue				*	*						*	*			4
Won		*													1
Lost	*		*	*	*	*	*	*	*	*	*	*	*	*	13
Assumed chance of winning each case														50%	
Chance inventors would have won only 1 of 14 times														0.09%	

Table 2: The 14 Cases in the IPC Study

Inventors Lost 6 Cases Where Validity Was an Issue

In 6 of the 14 cases, the patentability decision of the PTO was overruled. In 4 of them the patent was found invalid on the basis of the same prior art that was before the PTO when it granted the patent.[16] This is most troubling. 35 U.S.C. § 272 states that patents have a "presumption of validity." Yet, the presumably high "clear and convincing" standard to overcome the presump-

[16] In the other cases the inventor lost for a variety of reasons. Several indicate a judicial bias against independent inventors as a class. Marino had the District Court judge tell him in front of a witness that he did not approve of the inventors seeking investors on infringement lawsuits. Dargan lost in a trial where the judge instructed the jury that it was more important to overturn a bad patent than to affirm a good one. This statement gives a perception of a double standard for those who are part of the establishment and those who are not.

tion[17] was found without any new prior art. Where the courts second guess the PTO decisions on patentability, the validity of patents is uncertain and unpredictable. The PTO becomes nothing more than a registration agency. Unsophisticated inventors and the public are deceived as to the validity of issued patents. Litigation is susceptible to manipulation by the litigants. Enforcing a patent in the courts is costly, time-consuming, and risky. This makes it harder to raise funds for a business built on patented inventions, or to raise money for litigation against infringers. It makes patents worthless. This discourages the introduction and growth of new technologies.

Why Do Inventors Lose So Often?

We believe that the factors creating bias are cases that are difficult, complex or involves technology and law the court has little experience with, or when the court is overwhelmed with a busy schedule and desirous of getting cases off its docket. All these factors are common in patent cases. In this environment the judge's natural tendency is to make a safe pro-establishment decision against the creative rebel. It might be based on suspicion of a litigant's not being part of the establishment or because such a decision will more likely to be upheld on appeal.

We believe that bias by judges in the IPC cases is an unconscious one that occurs in situations where the judge doesn't fully comprehend the issues. In sales and marketing this is called FUD. It stands for Fear, Uncertainty, and Doubt and describes

[17] A particularly troubling example of the Federal Circuit invalidating a patent is the Collins patent. The estate of the inventor Arthur Collins sued ATT&T (*Collins Licensing, L.P., v. AT&T 11 R. 3d 1072(table)* (Fed. Cir. 1993) on a patent that had been through a reexamination by the PTO twice and won a district court jury decision upholding the validity of the patent. Not only did the Federal Circuit invalidate the patent, it did it on a ground that was technically inaccurate. This decision, like many of the decisions where inventors lose was unpublished, thus making it easy for the court to bury them from the jurisprudence.

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the state of mind of a prospect who is about to make an important buying decision. Where FUD exists, the decision maker is likely to:

- Postpone decisions (several of the case study decisions took a long time to come down);
- Make a decision based on some peripheral issue that avoided the necessity of having to address the decision directly. (Four of the IPC cases were so ruled.[18])
- Make the "safe" pro-establishment decision which can't be criticized. (For years purchasers selected IBM computers: if things went wrong, they couldn't be criticized.)

Usually, sales and marketing tries to reduce FUD. But, where a company doesn't have a competitive product it will often preannounce one just to create FUD, preventing the competition from making sales. Many such products never come to market.

We believe judicial decision makers are not that different from people making important purchase decisions.

Unlike the courts that are often uncomfortable deciding patent issues, the PTO is quite comfortable. It is their stock in trade. The PTO, being more comfortable in making patentability decisions have less FUD and will be less subject to non-objective influences and so will be less biased. This view of decision making is supported by the cognitive science literature[19].

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[18] Evans lost due to an on sale bar, Goldwasser lost because IBM claimed patent ownership, Pardo/Landau lost on inequitable conduct, Rogel lost on laches.

[19] Sulloway says:
When evidence in support of new theories is meager, people make decisions about this information on gut instinct. Birth order is typically a good predictor of such decisions, but it cease to be predictive when evidence finally points, in a decisive fashion, towards one theory or the other. (Sulloway, page 339)
In *How the Mind Work* (Norton,1997, page 338-9), Steven Pinker has a section "Kidding Ourselves" which discusses the research on our brain deceive itself even to the extent of providing false explanations about our motives.

Developing and maintaining a legal system that minimizes factually erroneous decisions is not simple. However, where the spotlight of objective evidence shows systemic error, one can often address the problem and improve the system.

We believe that eliminating the bias does not lie in adding tighter and more elaborate review procedures. (although an external quality review process might have some value) This only makes litigation more costly and time-consuming. Rather, we believe that limited changes to existing procedures and standards will likely solve the problem..

The Outsider Principle

Bedau and Radelet found that the falsely convicted persons are usually outsiders such as racial minorities, out-of-towners, immigrants or people with unconventional lifestyles. Evans lost due to an on-sale bar, Goldwasser lost because IBM claimed patent ownership, Pardo/Landau lost on inequitable conduct, Rogel lost on laches. Forty two percent of the falsely convicted were African Americans. This is over 4 times the proportion of African Americans in the general population. The outsider principle seems to explain unjust decisions.

That outsiders have suffered bias in the courts is demonstrated by the courts' past biases against woman, Indians, Japanese Americans and other racial minorities. Are there not other, as yet undiscovered, groups that the courts are biased against? It would be arrogant to say "No".

Independent inventors are outsiders and rebels by their very nature. They don't work for large companies, and often are not in the affected industry. When they are in the industry they are small players and thus not part of the big guys club. Except for their patent rights, they have minimal assets. As such, they are natural targets for predatory companies and for opposition lawyers to demonize. Being an outsider means the inventor is often dismissed by big companies, their lawyers, and judges. With the exception of Dr. Damadian, all the inventors were outsiders. All but one were entrepreneurs who started new companies to market their inventions.

Dr. Damadian's Case Supports the Outsider Principle.

Dr. Damadian invented Magnetic Resonance Imaging, one of the major medical inventions of this century. This was the only case of the 14 that the inventor won. Dr. Damadian won $128 million in a patent infringement lawsuit against G.E.[20] This case would seem to suggest that independent inventors—outsiders—can win.

Not so. This was Dr. Damadian's second patent infringement lawsuit. In 1987 he won a substantial jury verdict only to have it overturned on a JNOV that was sustained by the Federal Circuit.[21]

After losing the lawsuit, Dr. Damadian was awarded the National Medal of Technology (1988) by President Reagan and inducted into the National Inventors Hall of Fame (1989). This gave him status with the establishment. He was no longer an outsider. When Dr. Damadian then sued General Electric on the same patents and similar issues, he won: the Federal Circuit, in effect, overruled its earlier decision.

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[20] *FONAR Corp. v. General Electric*

[21] *FONAR Corp v. Johnson & Johnson 821 F. 2d 627 (Fed. Cir. 1987*

This is consistent with the theory that the typical victim of injustice is an outsider.[22] Dr. Damadian provides an example of two cases whose major difference is that whether the inventor was an insider or an outsider.

If we exclude non-outsiders from the study (Dr. Damadian was the only one), the independent inventors lost 13 out of the 13 cases. The probability of this occurring by chance is about 1/100 of 1%.

There are few inventors who meet the standard of getting major establishment recognition achieved by Dr. Damadian. If the way to win a patent case is the receive the National Medal of Technology, isn't that setting the bar too high? How many people can make an invention as important as Dr. Damadian's?

As the independent inventor is often one of Sulloway's creative rebels, he is in a catch 22. He must either become part of the establishment and sacrifice his creative abilities, or remain a rebel and become a potential victim of a miscarriage of justice.

Independent Inventors and Corporations

Judge Howard Markey, the first Chief Judge of the Federal Circuit said:

> Many giant corporations have no need of a patent system. They may obtain patents, but only as a defense against some little machine shop operator who might

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[22] Another example of the Outsider Principle is suggested by results of cases involving patent insurance. IPRC which contributed three cases to the IPC study has a sister company, IPSC, that markets insurance to fund patent infringement lawsuits should future patent infringement occur.(See Assuring a Full and Fair Trial with Intellectual Property Insurance by Robin Fletcher, J. D., IP Litigator, November/December 1998) While Mr. Fletcher lost all the IPRC cases, he won all 6 IPSC cases that went to trial. He settled other cases on favorable terms. The reason appears to be that courts see insurance as an establishment institution and so are not biased against the inventors with insurance.

otherwise invent and patent something the public would demand, and the big corporation would have to negotiate for, instead of adding the item to its product line. Many large corporations should be glad to compete on size, nationwide service, high volume, strong finance and prompt delivery. They can kill off smaller competitors on any of these bases, unless the small competitor has a patent on a product somebody wants to buy.[23]

Being an outsider means that the inventor is, in effect, challenging some vested interest. The telephone challenged the telegraph; personal computers challenged mainframe computers; the automobile challenged mass transit systems, the pocket calculator challenged the slide rule. Such inventors need the patent system to protect their rights. Both Machiavelli[24] and Lincoln[25] attested to the fact that new ideas challenge establishment interests

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[23] Howard Markey, *Some Patent Problems—Philosophical, Philological and Procedural,* 80 F.R.D. 204, p 210.

[24] From *The Prince:*

There is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in those would profit by the new order; this lukewarmness arising partly from fear of their adversaries, *who have laws in their favor*; and partly from the incredulity of mankind who do not truly believe in anything new until they have had actual experience of it. (emphasis added)

[25] Abraham Lincoln, the only U.S. President to hold a patent, pointed out the importance of introducing new ideas away from insider interests. In his *Lecture on Discoveries and Inventions* he said:

In anciently inhabited countries, the dust of ages—a real downright old-fogyism—seems to settle upon, and smother the intellects and energies of man. It is in this view that I have mentioned the discovery of America as an event greatly favoring and facilitating the useful discoveries and inventions.(Lincoln, *Selected Speeches and Writings,* Vintage 1992, page 205)

Independent Inventors and Wealth Creation

The Importance of Technological Innovation

Invention is important. Without the invention of writing, mankind would probably still lead a tribal existence. Congress thinks it is important. It budgeted $74 million for in 1997.[26] But (government and corporate) organizations only fund invention approved by committees which are conservative by nature; i.e. they only fund what the conventional wisdom says to fund. This makes it difficult for Sulloway's rebels to get funded.

The only protection that independent inventors, Sulloway's rebels, have is the court system. And, as the IPC study shows, they don't have that.

The Founding Fathers felt invention was so important that they wrote into the Constitution that inventors rights to their inventions should be "secured."[27]. Congress passed the patent laws to secure these rights. We suggest that this also means that the courts ensure that patent rights are meaningfully secured, as are real property rights.[28] Are not property rights and the rule of law, along with democracy, that which makes our system of government work? Yet, our study shows the court appears to be unable to secure these rights for independent inventors. Is there "equal justice under law"?

Two Founding Fathers were substantial inventors: Jefferson[29] and Franklin[30]. They were rebels. Both challenged British

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[26] Volume 1, Budget of the U.S. Government FY 1999, page 99.

[27] U.S. Constitution, Article 1, Section 8.

[28] One example of systemic bias against independent inventors is Theis. Theis, an independent inventor, filed a writ of certiorari with this Court and we filed an amicus brief on his behalf. Certiorari was denied. But, when the PTO, a fellow establishment organization, filed on the same issue in this case a few months later, certiorari was granted.

[29] Jefferson's many inventions include a cryptographic code that was used by the U. S. Navy as late as World War II.

authority. And they were the leaders in making one of the great inventions of all time: the Constitution and its foundational document, the Declaration of Independence.[31] And as people experienced with invention, they ensured that the Constitution directly provided for granting to inventors for a limited time the exclusive rights to their inventions.

The Economics of Invention

Early theories of economics held that most wealth was created by land or by labor. Now we know it is not. Robert Solow received the Nobel Prize because he showed that most wealth is created by innovation, especially technical innovation.

Most of this Court's civil cases involve wealth *allocation*. Patent cases, however, involve wealth *creation*. Patents are the major administrative mechanism of wealth creation. And since inventors form small companies, they are a major source of new companies and new jobs.

Independent inventors are a Major Source of Inventions

The evidence that the independent inventor is the major source of important inventions is overwhelming. In their book *Sources of Inventions (*Norton, 1969,), Jewkes Miller and Stillerman reviewed the literature on inventors and analyzed the

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[30] Franklin invented bifocals, the Franklin stove and the lightening rod. Franklin experienced the inventors difficulties:

> Jealousy and envy deny the merit or the novelty of your invention; but vanity, when the novelty and merit are established, claims it for its own. .... One would not therefore, of all faculties or qualities of the mind, wish for a friend or a child that he should have that of invention. For his attempts to benefit mankind in that way, however well imagined, if they do not succeed, expose him, though very unjustly, to general ridicule and contempt; and if they do succeed, to envy, robbery, and abuse. (March 18, 1755)

[31] See *Science and the Founding Fathers* by I. Bernard Cohen, Norton, 1995.

source of 60 inventions[32]. They quote several authorities on the importance of the individual inventor. In conclusion, the authors report:

1. The sources of invention are diverse and many and all should be encouraged.[33]

2. Individuals and independent inventors are a very important source of important inventions, probably the most important.[34]

3. Independent invention is resisted by corporations. "Genius breaks the rules and thereby confronts the institutions with challenges which may at first sight appear to constitute a danger to their very existence"[35].

MacArthur Award recipient Robert Scott Root-Bernstein extols the value of "maverick" and expresses the concern that "as long as the decisions concerning funding [are] bureaucratized there is no hope for the maverick. He will be selected out."[36]

An open letter from Nobel Laureates opposing proposed legislation that would weaken the patent system was recently organized by Nobel Laureates Franco Modigliani and Robert Solow. Signed by 10 Nobel Laureates in economists, 9 in chemistry, and 6 in physics[37], it said the proposed legislation

> Will prove damaging to American small inventors and thereby discourage the flow of new inventions that have contributed so much to the America's superior performance in the advancement of Science and Technology.

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[32] pages 79-81
[33] Pages 184-6
[34] page 182.
[35] Page 183
[36] *Discovering: Inventing and Solving Problems on the Frontiers of Scientific Knowledge (*Harvard University Press, 1989, page 376)
[37] See the IPC website for the letter and the name of signers.

At IPC we did a study in 1996 of the inventors inducted in to the National Inventors Hall of Fame. Of the inductees, 55% were independent and actually founded companies based on their inventions.[38]

The report *Technological Innovation: Its Environment and Management*,[39] says

> Independent inventors (including inventor entrepreneurs) and small technology based companies are responsible for a remarkable percentage of the important inventions and innovations of this century– a much larger percentage than their relative investment in thes activities would suggest.

Inventors face several problems when dealing with big company infringers.

- Many companies refuse to respect patents:
- To enforce their patents, inventors face unending series of motions and delays, false evidence, false charges of inequitable conduct[40], and heavy costs.
- The economics of patent infringement litigation encourage infringement. A well financed infringer by not respecting a competitor's patents can (a) gain market share early when it is cheapest to acquire and (b) put financial pressure on the inventor and his company often to the extent of driving him out of business.

[38] For a list of the inventors by type see the IPC website.
[39] U.S. Department of Commerce, January 1967,
[40] Inequitable Conduct is a matter of equity and so the inventor can lose the property rights in his patents and have his reputation besmirched without a jury trial even though the eighth Amendment ensures a trial by jury to take someone's property. This brief's author was in the court for what he believes was a miscarriage of justice, the inequitable conduct trial of Remy Pardo and Rene Landau (Refac v. Lotus). Other inventors such as Theis and Dargon had their reputations attacked in court. Even Dr. Damadian has been demonized as not being the inventor of MRI.

ness. At best, the infringer wins his case years later and pays nothing. At worst, the infringer has slowed down the inventor substantially. This happened to Dr. Damadian. His company , FONAR, the first company to bring MRI scanners to the market was left with 2% market share by the time his lawsuit was finally decided. As Dr. Damadian explained in congressional testimony:

> I wanted fervently, in the development of the MRI to use my invention to build a great new multi-billion dollar manufacturing enterprise for America in the same way that Edison and Bell did. I have found that even though I have now labored diligently for more than a quarter of a century, the tools for doing what Edison , Bell, Eastman and others did no longer exist. [B]y willful patent infringements our innovations were stripped from us as fast as we could create them. Moreover, I believe you will not find my experience unique. Indeed, I believe you will find it universal.[41]

Patents effect the balance of trade, and with it American jobs, by not securing patent rights. Dr. Damadian testified in Congress that his invention of MRI was copied by Siemens, Toshiba, Hitachi, Phillips and other foreign firms. Products that infringed his patents accounted for more than the $320 million balance of trade deficit in the Diagnostic Imagine Category in 1994. Had Dr. Damadian's patent rights been respected, the U.S. would have had a net positive balance of trade in that category.

By providing a financial incentive to infringe patents, the courts encourage expensive and time-consuming litigation, discouraging invention, and decreasing respect for the courts.[42]

[41] Before the Senate Intelligence Committee and Senate Judiciary Committee February 28, 1996.
[42] Recently the Los Angeles Superior Court, the Los Angeles Bar Association, and the School of Policy , Planning and Development of the University of Southern California issued a report on *The Los Angeles Superior Court*

The Court is undoubtedly dealing with what appears to be more weighty matters of more immediate important. But one must invest in the future. Winston Churchill in a radio broadcast in the middle of World War II, said "there is no finer investment for any community than putting milk into babies."

Patents and the First Amendment

The Constitution provides mechanisms that defuse revolutionary change and promote evolutionary change.

One mechanism is freedom of the press. It is not there so the government and big companies can say what they want. They have the power to do that. It is there so as to protect, and encourage, those who challenge these institutions. It is from these challenges that new ideas can take root. The First Amendment is there to protect and encourage Sulloway's creative rebels.

Similarly, the patent system is designed to encourage technical progress and new enterprises by encouraging inventors to develop their inventions and add to the gene pool of technology. Without it, the inventor can rarely challenge vested interests.

Established institutions resist change, especially change they can't control. That is why there is a natural tendency for establishment forces to resist a free press and new inventions. Both encourage unwelcome change. The courts have recognized the importance of encouraging challengers who use the press. Shouldn't it similarly support challengers who use the patent system?

As the IPC study shows the patent system is failing. And it is failing for the most productive inventors.

Improvement Initiative. It showed that while 89% of the judges had a positive or very positive attitude towards the court, the standards of others were much lower: Attorneys, Law Enforcement and Former jurors scored 47%, 25% and 1%. respectively (see page 8).

Conclusion

Norbert Weiner, the inventor of cybernetics spoke for inventors. In his book *Invention, the Care and Feeding of Ideas* (The MIT Press, 1993), he said:

> I am quite willing to admit that one main object of the law is not theoretical justice, but a determination of rights such as the right of ownership, which would preclude later bickering and which will give a decision that is unequivocal and irrevocable, whether or not it can be based on abstract principles of justice. However, when a law is based on a theory of what has actually happened, which does not fit the facts, it is hard or even impossible to adjudicate disputes in an impartial way. The pressure of power, riches, and the ability to use these for the employment of the best legal talent is almost certain to dominate the final decision.[43]

Inventors don't expect perfect justice, we realize it is not possible. What we need are decisions that are predictable, expeditious, and available at reasonable cost. What we need are decisions that are made by those who understand what is happening. When it comes to evaluating patentability, this is not the courts' expertise; it is the patent office's.

The courts are ruling against independent inventors at an alarmingly high rate, invalidating patents where all of the material prior art was before the PTO. The IPC study clearly demonstrates that the courts are biased against independent inventors. This does injustice to the independent inventors. It vitiates the most important source of innovation and wealth creation in the United States. It leads to disrespect of the courts.

The *Zurko* case presents an excellent opportunity for this Court to increase the integrity and uniformity of the patent sys-

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[43] The MIT Press, 1993, page 133.

tem and so encourage invention as the Founders and Congress intended. It also provides a means to improve a system that results in many miscarriages of justice. It will improve the certainty and predictability of decisions. The courts should defer to the PTO in all decisions of patentability under the APA—both in prosecution and in *litigation.*

Appendix A: The IPC Board of Directors

Paul Heckel, the Founder and President of IPC, is a software developer who patented his software and enforced patents on his inventions. He wrote T*he Elements of Friendly Software (*Sybex, Second Edition, 1991) and *Debunking the Software Patent Myths (*The Communications of the ACM, June 1992).

Dr. Raymond Damadian, the inventor of Magnetic Resonance Imaging, founded FONAR and with it the MRI industry. He also received the National Medal of Technology from President Reagan for his invention.

Dr. Wilson Greatbatch is the inventor of the cardiac pacemaker and the founder of Greatbatch Industries.

Dr. Robert Rines, invented the high definition radar and sonar. A patent lawyer, he founded the Franklin Pierce Law Center.

Stanley Mason made many inventions including microwavable cookware, the granola bar, the shaped disposable paper diaper and the squeezable ketchup bottle.

Appendix B: Case Selection for the IPC Study.

All of the IPC cases are ones where an independent inventor sued a large company to enforce his patent. All the cases were decided by a district court trial and all but one were appealed to the Federal Circuit which rendered a decision. All were personally known to and followed by IPC , PEF or IPRC. In many cases several of the inventor's patents were at issue.

There are three groups of cases

Paul Heckel of IPC followed 6 of the cases. He had formed a personal relationship with each of the inventors before their case was decided by the Federal Circuit and usually before the District court trial.

Patent Enforcement Fund financed by 6 cases. It lost all 6 cases. Dr David Hill, the President of PEF is a physicist and businessman who worked with Enrico Fermi to generate the first controlled chain reaction.

Intellectual Property Reserve Corp (PRC). Robert Fletcher, President of IPRDC is a patent lawyer experienced in selecting and managing patent infringement litigation. Of the 5 cases IPRC has financed, 3 have reached a conclusion. The inventors lost all three. Mr. Fletcher is president of a sister company, Intellectual Property Insurance Services that sells patent insurance.

Cases were included in the IPC study based on events that occurred before litigation results were known. These are not hindsight selections. They were not selected to prove a point. Mr. Heckel had communicated with each of the inventors in the IPC group, Mr. Fletcher, and Dr. Hill in 1994. The results of their lawsuits are shown in Table 2.

Appendix C: The 14 Cases in the IPC Study

The cases below were compiled by Paul Heckel who talked with each inventor. As he recognizes that losers in litigation may be biased in their answer, he collected information where bias was minimal. The information collected was one of two types:

1. Factual information that can be easily verified--usually by the record;
2. Perceptions of the inventors.

Unless otherwise stated, the inventor is an entrepreneur who appealed a district court loss to the Federal Circuit which ruled against them.

Bullock: *Bullock v. Owens-Corning Fiberglass Corp 129 F. 3d 134 (table) (Fed. Cir.*) Thomas Bullock's son invented an improved method of fiberglass insulation for attics. The Bullocks sued Owens-Corning. At the end of a patent infringement trial, Owens Corning introduced a mistranslation of a Japanese patent that invalidated the Bullock patent. Bullock's lawyer did not address the issue at trial or in a FEDERAL CIRCUIT appeal. Bullock has been advised he has a malpractice case against his lawyer who, it turns out, has no malpractice coverage.

Damadian: *Fonar Corp. v. General Electric Co. 107 F. 3d 1543 (Fed. Cir. 1997*) Dr. Raymond Damadian invented Magnetic Resonance scanning (imaging), one of the most important medical inventions of the century. His company FONAR marketed the first MRI scanner. Several large companies had entered the market against him. He sued Johnson and Johnson for patent infringement, won in a jury trial, but was overturned on a JNOV sustained by the Federal Circuit. Ten years later, having been awarded the National Medal of Technology by President Reagan and being inducted in the National Inventors Hall of Fame, Dr. Damadian sued GE and was awarded $128 million for

the patent asserted against Johnson and Johnson and another FORAR patent.

Dargan: *IBM/ROLM v Dargan 2-532 USDC for DEL* John Dargon invented a system for telephone touch tone interaction with computers. His patent was invalidated by a jury after a battle of experts. No new material information was introduced in court.

Evans: *(Evans Cooling System, Inc. v. General Motors 125 F/ 3d 1448 (Fed. Cir. 1997))* Jack Evens was a contractor to General Motors. He invented a reverse flow cooling system that he showed to General Motors under non-disclosure agreement. G. M. infringed the patent and used it in a product it marketed. Jack Evans did not find out about it for more than a year. When he found out and sued General Motors, GM successfully argued the fact that GM had been selling the infringing product for more than a year. This invalidated the patent because of an on sale bar.

Goldwasser: (*Goldwasser v. Smith Corona Corp. [and IBM] 25 F. 3d 137 (table0 (Fed. Dir.)* Goldwasser sued Smith Corona for Patent Infringement. Goldwasser worked for IBM. Smith Corona went to IBM and claimed that they owned the patent and they had a right to it under a cross license agreement. The IBM employment agreement while somewhat ambiguous appeared to be favorable to Goldwasser who had pursued the invention in his spare time off company property. IBM entered the case and the court ruled that IBM owned the patent rights even though Goldwasser's wife, a non- IBM employee, was a co-inventor on the patent.

Hazani: (*Hazani v. U.S. int. Trade Comm (and Mitsubishi, NEC, OKI, Samsung) 126 F 3d. 1473 (Fed. Cir. 1997))* Emanuel Hazani filed an action with the international Trade Commission against Mitsubishi, NEC and others to prevent the importing of EEPROMS which infringed his patents. The ITC

ruled his patents invalid on the same prior art that was before the PTO.

Kahn: (*Kahn v. GM; 35USPQ1608*) Leonard Kahn invented an improved AM stereo system. He sued General Motors for infringement. The court ruled the patent was not infringed by using a new interpretation of the doctrine of equivalents.

Lemelson: (*Lemelson v. General Mills, Inc. 968 F. 2d 1202 (Fed. Cir. 1992*) Jerome Lemelson was an extremely prolific inventor with over 500 patents. Early on he started companies as an entrepreneur, but later he confined his energies to inventing and licensing his patents. He has been accused of not being a real inventor, and misusing the patent system. The brief's author talked with several people familiar with his patents, and believes that he did not act unethically. At worst, he acted like the lawyers representing big companies accused of infringement.

In *Lemelson v. Mattel,* he won a $72,000,000 dollar verdict at a jury trial. The Federal Circuit overruled him in new law involving file wrapper estopel in a ruling that a former patent commissioner called "crazy" and a lecturer in patent law said "the only explanation of the decision is that the court just didn't like Mr. Lemelson."

Lockwood *Lockwood v. American Airlines Inc. 107 3d. 1565 (Fed Cir. 1992)* Lawrence B. Lockwood developed a multimedia sales system for the insurance and travel industries and began marketing it in the insurance industry. American Airlines may have seen a copy of Lockwood's invention. Lockwood sued them for patent infringement. The judge ruled one patent invalid in view of an earlier Lockwood patent, although that issue was before the PTO twice. The second patent was invalidated by the judge because of a hiatus of disclosure, an issue that the PTO had considered before issuing the patent. The judge in a summary decision ruled the second patent invalid.

After the invalidity ruling, the question of whether Lockwood had a right to a jury trial on another patent arose. The district

court said no, the Federal Circuit said yes. American Airlines appealed and the Supreme Court granted certiorari. Lockwood then withdrew his objection so as to get the case tried expeditiously. The judge then ruled the second patent invalid on a summary motion. In another summary motion, the judge created new law on infringement by saying that infringement could be determined by the identity of the user. There was no jury trial. All decisions were made by the judge on summary motions.

Marino: *Marino v. Marchon (Fed. Cir 94-1406-1407)* Dennis Marino invented a new water slide for amusement parks. He was infringed by Marchon. He sued. In a jury trial he won $2,400,000. The judge overruled and reduced the judgement to $400,000. The judge said in front of a witness that he didn't like people suing big companies to get a settlement.

Pardo/Landau: *Refac v. Lotus Development Corp. 81 F. 3dd 1576 (table)(Fed. Cir. 1997)* Pardo and Landau made one of the more significant inventions of this century – the computer spreadsheet. They started a company, Forward Reference Systems, and marketed that program on timesharing systems. They received a notice of allowance from the Patent Office, but before the patent issued, the Supreme Court handed down *Gottschalk v. Benson* which many believed said computer software was not patentable; the Patent office withdrew the notice of allowance. Pardo and Landau appealed, pro se, to the CCPA, the predecessor to the Federal Circuit. The CCPA ruled in their favor in an important precedent, *in re Pardo* that said something does not cease to be subject matter because the point of novelty is in an algorithm.

When they litigated their patent against Lotus, the inventors were accused of inequitable conduct by having affiants file affidavits. These affidavits failed to mention a prior association between the inventors and the affiants. Their U.S. Patent attorney (the inventors are Canadians) testified at trial that he instructed the inventors to find affiants who had no relationship

with the inventors, yet when he prepared the affidavits he did not check for such an affiliation as he "relied" on the inventors having gotten appropriate affiants. The inventors said they had not been told to get affiants with no relationship. Moreover, according to the testimony of one of the inventors, he and his U. S. Patent lawyer had an interview at the Patent Office to discuss a rejection. According to the inventor, he "saw the light in the examiner's eyes". He felt all he had to do was to write up what was discussed for the PTO. However, the U. S. lawyer insisted on sending in affidavits. (The affidavits were probably not necessary.)

The judge in a bench trial chose to believe the lawyer rather than the inventors and found inequitable conduct against them and thus held their patents invalid. At the time, their U.S. lawyer testified he was a defendant in a malpractice action, about which the inventors and their lawyers were unaware. This brief writer who was in court for the trial and considers it is an egregious miscarriage of justice.

Rogel: Edward Rogel invented point of sale input systems for computers. Although he died in 1974, his case was pursued by Dr. David Hill, his business partner. He sued National Cash Register in their home city of Dayton, Ohio where the court dismissed the case because of laches. As Dr. Hill is pursuing a malpractice suit filed against his lawyers who had advised him that laches would not be a problem if he waited to sue while raising money.

Theis: *Theis Research v. Octel and Northern Telecom* Peter Theis notified Ameritech that they infringed his patent. Octel, a supplier to Ameritech unknown to Theis, filed a D. J. against Theis in Northern California. Theis and Ameritech, were both in Northern Illinois. Theis litigated his computer system voice entry patents against Octel and Northern Telecom . This litigation involved Ameritech, AT&T, Bell Atlantic, Pacific Telesis and others. The judge allowed the D. J., and held the trial in North-

ern California. At the trial, Octel produced a videotape of a doctored demonstration and an expert witness for the infringers who appeared less than accurate.

Theis' attorneys kept him out of the court for most of the trial and off counsel's table (they told him as a testifying witness he could not be in court); they failed to present several relevant facts and made other errors at trial.

The judge appears to have made many errors. He knew Octel would appeal, and probably thought Theis would not. When the clerk found costs against Theis of $92,0000, the judge increased costs awarded to $385,000[44]. The judge also granting ex parte motion to register judgment in every district court in the country prior to appeal ; This was stayed by Federal Circuit,

The litigation involved 6 our of 15 Theis patents.

Wolstenholme *Wolstenholme v. Countrymark Corp Inc. 119 F.3d 17 (table) (Fed. Cir. 1997)* Paul Wolstenholme invented a self-erecting grain elevator. He sued Countrymark for patent infringement. It was declared invalid because of obviousness. While some new information was presented at trial, it was not new as the court looked at the same art as was before the PTO.

[44] Most of the extra costs were due to the preparation of the videotape that misrepresented the infringing product.

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS AND TRADEMARKS,
Petitioner,

v.

MARY E. ZURKO, *ET AL.*
Respondents.

On Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit

Brief of Intellectual Property Professors As *Amici Curiae* in Support of Petitioner

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December 1998

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INTEREST OF THE AMICI CURIAE

This brief is submitted on behalf of Professors Thomas Field, Craig Allen Nard and John Duffy, all of whom teach or write in both administrative law and patent law.[1] As teachers and scholars of administrative and patent law, the amici are interested in the proper application of the Administrative Procedure Act (APA) to the Patent and Trademark Office (PTO). This brief is submitted to provide the Court with the assistance of scholars who have studied the intersection of administrative law and the patent process but who have no financial interest in this case. The amici take no position concerning the entitlement of Respondents to a patent.

SUMMARY OF ARGUMENT

Congress enacted the APA in 1946 as a comprehensive statute to regulate the field of federal administrative law. In holding that the PTO Board of Patent Appeals and Interferences ("PTO board" or "the board") is not subject to the standards of judicial review set forth in the APA, the decision below isolates patent law from the rest of administrative law and undermines the APA's goal of achieving consistency and uniformity in federal administrative law.

The Federal Circuit interpreted Section 559 of the APA to authorize a form of judicial review whereby (1) the court does not review PTO board decisions on the basis of the agency's own reasoning, and (2) the court reviews the PTO's factual

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[1] Pursuant to Sup. Ct. R. 37.6, the amici represent that they have authored this brief in whole, and that no person or entity other than the amici and their respective educational institutions (Franklin Pierce Law Center, Marquette University Law School, and Cardozo School of Law) have made a monetary contribution to the preparation or submission of the brief. The parties to this case have consented to the filing of this brief, and their written consents have been filed with the clerk of the Court.

findings under a clearly erroneous standard. Both of these aspects of review deviate from the review authorized by the APA, and neither can be justified by Section 559. Even under the Federal Circuit's view that Section 559 permits the continuation of pre-APA ~~c~~ommon-law requirements that are more demanding than the APA, Section 559 cannot justify reviewing board decisions without regard to the agency's reasoning because that would reduce the ordinary requirement that agencies must be able to defend both their results and their reasoning. Section 559 also does not authorize a clearly erroneous standard for review of PTO factual findings because such a standard did not exist prior to enactment of the APA.

Moreover, the Federal Circuit erred in interpreting Section 559 to authorize the use of pre-APA administrative common law purportedly found in murky lower court decisions. One of Congress's main goals in enacting the APA was to clarify federal administrative law. Allowing ambiguous lower court precedents to supercede the APA frustrates that goal. Section 559 also does not insulate pre-APA common law from review by this Court. To the extent that any pre-APA lower court applied a form of judicial review such as that suggested in the decision below, that judge-made law is now obsolete. Finally, although the Federal Circuit relied on stare decisis, that doctrine should have little application to this case.

ARGUMENT

I. The Form Of Judicial Review Contemplated By The Decision Below Is Inconsistent With The APA.

In enacting the Administrative Procedure Act (APA) in 1946, Congress intended that the new statute would provide a "simple and standard plan of administrative procedure" that would respond to the "widespread demand for legislation to

settle and regulate the field of Federal administrative law and procedure." S. Rep. No. 752, 79th Cong. 1st Sess. 1 (1945), reprinted in Staff of Senate Comm. on the Judiciary, *Legislative History of the Administrative Procedure Act*, S. Doc. No. 79-248, at 187 (1946) (hereinafter *APA Legislative History*). Thus, Congress intended the new statute "to be operative 'across the board' in accordance with its terms, or not at all. . . . No agency has been favored by special treatment." H.R. Rep. No. 1980, 79th Cong., 2d Sess. 15 (1946), reprinted in *APA Legislative History* 250.

Achieving these goals was not left to chance. Congress included in the text of the statute broad definitions of key provisions such as "agency" and "agency action" so that the statute, by its terms, would have broad applicability. Thus, for example, "agency" is defined (with narrow exceptions not relevant to this case) as "each authority of the Government of the United States, whether or not it is within or subject to review by another agency," § 701(b)(1), *see also* § 551(1), and "agency action" as "the whole or a part of any agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act," § 551(13). Because of the facial breadth of these definitions, any argument that the statute is generally inapplicable to the PTO would be meritless. Indeed, both this Court and the lower courts (including the Federal Circuit) have applied the APA to the PTO. *See, e.g., Sperry v. Florida*, 373 U.S. 379, 396-399 (1963) (relying, *inter alia*, on the text and legislative history of the APA in determining the power of the Patent Office to authorize non-lawyers to practice before the agency); *Premysler v. Lehman*, 71 F.3d 387 (Fed. Cir. 1995) (relying on "interpretative rule" exception in Section 553 of the APA to hold that the PTO does not have to publish agency guidelines); *Ray v. Lehman*, 55 F.3d 606, 608 (Fed. Cir.) (applying the APA's abuse of discretion standard in review of PTO's refusal to revive a patent that had lapsed for

failure to pay maintenance fees), *cert. denied*, 516 U.S. 916 (1995); *Heinemann v. United States*, 796 F.2d 451, 453-54 (Fed. Cir. 1986) (applying arbitrary and capricious standard in reviewing PTO decision to award patent to the United States rather than to an employee), *cert. denied*, 480 U.S. 930 (1987).[2]

Because the APA's broad definitions apply to the PTO, judicial review of the PTO's actions is governed by 5 U.S.C. §§ 701-706 (Section 10 in the original version of the APA), unless the APA or other law provides an exception. The Federal Circuit interpreted Section 559 of the APA to provide such an exception for review of PTO board decisions. We address the Federal Circuit's construction of Section 559 in Parts II and III, *infra*. But before turning to Section 559, we detail here the two significant ways in which the judicial review contemplated by the decision below deviates from the review authorized by the APA.

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[2] *See also* Sikora v. *Brenner*, 379 F.2d 134, 136 (D.C. Cir. 1967) (holding that the judicial review provisions of the APA govern review of the Patent Office's denial of an amendment of a patent claim); *Wembley v. Comm'r of Patents*, 352 F.2d 941, 942 (D.C. Cir. 1965) (applying the APA to reject a challenge to Patent Office action found to be "preliminary, procedural or intermediate"); *Dorsey v. Kingsland*, 173 F.2d 405, 410 (D.C. Cir. 1949) (applying the newly enacted APA standards of judicial review to Patent Office disciplinary proceeding), *rev'd on other grounds*, 338 U.S. 318 (1949) (per curiam) (holding that "substantial evidence" did support the Patent Office's decision); *Klein v. Peterson*, 696 F.Supp. 695 (D. D.C. 1988) (also applying the APA's "substantial evidence" test to PTO disciplinary action), *aff'd* 866 F.2d 412 (Fed. Cir.), *cert. den.* 490 U.S. 1091 (1989); *Premysler v. Lehman*, 33 U.S.P.Q.2d 1859 (D.D.C. 1994) (applying APA's arbitrary and capricious test in reviewing PTO decision denying enrollment in the patent bar), *aff'd* 71 F.3d 387 (Fed. Cir. 1995). *See also* Caspar W. Ooms, *The United States Patent Office and The Administrative Procedure Act*, 38 Trademark Rep. 149, 150 (1948) ("outlin[ing] the general applicability of the Act to the Patent Office").

A. In Authorizing Review Independent Of The Agency's Reasoning, The Decision Below Deviates From Both The APA And The Decision In *SEC v. Chenery Corp.*

In the decision below, the Federal Circuit correctly noted that the standards of review found in the APA would "require that we review [PTO] board decisions on their own reasoning." Pet. App. 3a. The court, however, rejected that approach to judicial review and held that it would "review board decisions on our [i.e., the court's] reasoning." *Id.* In so holding, the Federal Circuit diverged from the approach to judicial review that, pursuant to the APA and this Court's holding in *SEC v. Chenery Corp.*, 318 U.S. 80 (1943), applies generally across federal administrative agencies.

In *Chenery*, this Court held that judicial review of an administrative agency requires "a judgment upon the validity of the grounds upon which the [agency] itself based its action." 318 U.S. at 88. While *Chenery* was decided before enactment of the APA, this Court has consistently held that the *Chenery* principle is incorporated into the principles of judicial review set forth in Section 706 of the APA. See *Motor Vehicle Manufacturers Assn. v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 43 (1983); *see also Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 419 (1971); *Burlington Truck Lines v. United States*, 371 U.S. 156, 168-69 (1962).

As this Court recently explained in *Allentown Mack Sales and Service, Inc. v. NLRB*, 118 S. Ct. 818 (1998):

> The Administrative Procedure Act, which governs the proceedings of administrative agencies and related judicial review, establishes a scheme of "reasoned decisionmaking." [*State Farm*, 463 U.S. at 52.] Not only must an agency's decreed result be within the scope of its

lawful authority, but the process by which it reaches that result must be logical and rational.

Id. at 826; *see also id.* at 827 (recognizing that this principle applies to agency adjudications). Thus, the *Chenery* principle requires an agency not only to have reached a sound result, but also to have articulated sound reasons for that result. If the agency has not done both, the reviewing court ordinarily must reverse, even if the court could conceive of adequate reasons to support the agency's result.[3] The Federal Circuit decision below deviates from this basic tenet of administrative law and would permit a reviewing court to affirm an agency decision that, in the court's view, reached a permissible result, even though the agency's reasoning was not sound.

B. The Decision Below Deviates From The APA's Standard Of Review For Agency Findings Of Fact Made In Informal Adjudications.

The decision below also held that factual findings in the PTO board's patentability decisions are to be reviewed under a "clearly erroneous" standard. Pet. App. 2a; *see also id.* at 25a (sustaining the "practice of reviewing factual findings of the board's patentability determinations for clear error"). Such a

[3] The court may affirm despite faulty agency reasoning only if the APA's harmless error rule applies. *See* 5 U.S.C. § 706 (requiring that "due account shall be taken of the rule of prejudicial error"). But that rule is quite narrow—applicable only "when a mistake of the administrative body is one that clearly had no bearing on the procedure used or the substance of the decision reached." *Massachusetts Trustees of Eastern Gas & Fuel Ass. v. United States*, 377 U.S. 235, 248 (1964). Moreover, "an error cannot be dismissed as 'harmless' without taking into account the limited ability of a court to assume as a judicial function, even for the purposes of affirmance, the distinctive discretion assigned to the agency." *Braniff Airways, Inc. v. CAB*, 379 F.2d 453, 465-66 (D.C. Cir. 1967) (Leventhal, J.).

standard of review deviates from the standard of review that the APA applies to agency factual findings reached in informal adjudications.

The APA provides three possible standards to govern judicial review of agency factual determinations–the "arbitrary and capricious" test of Section 706(2)(A), the "substantial evidence" test of Section 706(2)(E), and the "de novo" review authorization in Section 706(2)(F). Factual findings in informal agency actions, both informal rulemakings and adjudications, are typically reviewed under the first of these standards. *See State Farm*, 463 U.S. at 43; *Citizens to Preserve Overton Park*, 401 U.S. at 419; *Assn. Data Processing Service Organizations, Inc. v. Bd. Governors, Federal Reserve System*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.). That standard should have been applied in this case. *See* Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 Ohio St. L.J. 1415, 1467-76 (1995).

The de novo review provision of Section 706(2)(F) is not applicable because, as this Court explained in *Overton Park*, 410 U.S. at 415, that provision applies only in two limited circumstances, neither of which is presented here.

The substantial evidence test of Section 706(2)(E) is also inapplicable here because it applies only to cases "subject to sections 556 and 557 of the [APA] or otherwise reviewed on the record of an agency hearing provided by statute." 5 U.S.C. § 706(2)(E). Because the PTO's decisions on patent applications are informal actions not required by statute "to be determined on the record after opportunity for an agency hearing," *see* 5 U.S.C. § 554(a), the decisions are not subject to Sections 556 and 557 of the APA. *See generally United States v. Florida East Coast Ry. Co.*, 410 U.S. 224 (1973). Furthermore, patent applicants have no statutory right to a

hearing at the PTO,[4] so the agency's decisions are not "reviewed on the record of an agency hearing provided by statute." § 706(2)(E); *see also Citizens to Preserve Overton Park*, 401 U.S. at 419. Accordingly, because neither the de novo review nor the substantial evidence standard applies, factual determinations in PTO patentability decisions are subject only to the arbitrary and capricious test of Section 706(2)(A).[5]

II. Even As Interpreted By The Federal Circuit, Section 559 Does Not Support The Decision Below.

The Federal Circuit interpreted Section 559 to authorize the continuation of any standard of judicial review—including any judge-made standard—that was in existence prior to enactment of the APA and that is "more searching" than the

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[4] The only statutory reference to a hearing in patent examination proceedings is 35 U.S.C. § 41(a)(6)(B), which sets the fee for requesting an oral appellate hearing before the PTO board. *See* Nard, *supra*, 56 Ohio St. L.J. at 1430 n.57. No statute, however, requires such a hearing to be granted.

[5] The government has taken the position in this case that the substantial evidence test is applicable to review of PTO board decisions, even though it previously contended that the arbitrary and capricious standard applied. See Pet. App. 3a & n.2. The choice between these two APA standards is not, however, an issue included within the question on which certiorari was granted. See Pet. for Cert. at i. Current doctrine holds that "the substantial evidence test [applies] only to findings adopted through the use of formal adjudication or formal rulemaking." 2 Kenneth C. Davis & Richard J. Pierce, Jr., *Administrative Law Treatise* § 11.4, at 200 (3d ed. 1994). The amici have found virtually no authority to support the expansion of the substantial evidence test to informal adjudications and caution against taking that step without full adversarial briefing and argument. In these circumstances, this Court should adhere to its ordinary policy of refraining from deciding issues not "fairly included" in the question presented. S. Ct. Rule 14.1(a).

standards of the APA. Pet. App. 10a. Even so interpreted, Section 559 provides no basis for departing from the *Chenery* principle. *Chenery* itself imposes an additional requirement on agencies—they must articulate sustainable reasons for their decisions. Section 559 plainly does not authorize any *reduction* in the requirements on the agency, so it cannot justify departing from the *Chenery* principle. Section 559 also cannot justify the Federal Circuit's clearly erroneous standard because a more deferential standard was applied to decisions of the Patent Office prior to the enactment of the APA.

A. Section 559 Does Not Justify Ignoring The *Chenery* Principle.

Under the *Chenery* principle (which, as noted above, *see* Part I(A), *supra*, this Court has held to be incorporated into the APA), not only must an administrative agency reach a sound result, it must also provide sound reasons for that result. Otherwise, the agency's action will be reversed and remanded upon judicial review. Departing from the *Chenery* principle diminishes the requirements on an agency, which no longer must articulate sustainable reasons for administrative decisions. Such a result clearly cannot be authorized by Section 559 of the APA, which preserves "additional requirements" on agencies but in no way diminishes the requirements of the APA.

The Federal Circuit seemed to believe that the standard of review applied to Patent Office decisions prior to enactment of the APA, "clearly contemplate[d] judicial review on more than just the board's own reasoning." Pet. App. 16a. Even if that were true, this Court's ruling in *Chenery*, which announced a general principle to govern judicial review of federal agencies, would have superceded any prior inconsistent case law of the lower courts.

But more fundamentally, the Federal Circuit had no historical support for its assertion that the pre-APA standard of review applied in patent cases was inconsistent with the *Chenery* principle. The court relied on the statement in *Ranney v. Bridges*, 188 F.2d 588 (CCPA 1951), that

> in considering allegations of error as to findings of fact made by the tribunals of the Patent Office this court follows the proper and well-established practice of appellate courts in refusing to reverse such findings unless we are convinced from our own study of the record that the findings are manifestly wrong because against the weight of the evidence.

Id. at 596; *see* Pet. App. at 16a (relying on this passage). Besides being written after enactment of the APA, that passage is also quite ambiguous. It might well have been meant only to emphasize that a reviewing court must study the record itself before determining whether the agency's conclusions survived the relevant standard of review, which ultimately was highly deferential. That approach would be consistent with this Court's teaching in *Overton Park* that a reviewing court's "inquiry into the facts is to be searching and careful," even though "the ultimate standard of review is a narrow one." 401 U.S. at 416.

Moreover, in *Ranney* itself, the court agreed with the agency's reasoning so completely that the court incorporated into its opinion verbatim the "lengthy but incisive discussion" from the agency's opinion below. 188 F.2d at 596. Thus, within the context of the case, nothing in *Ranney* can plausibly be interpreted as holding that the court would not conduct judicial review on the basis of the agency's reasoning.

Finally, the Federal Circuit's own precedents, which have applied the *Chenery* principle in the past, undercut any claim that the PTO board has traditionally been immune from *Chenery*. Thus, for example, the court in *In re Hounsfield*, 699 F.2d 1320, 1324 (Fed. Cir. 1983), relied on *Chenery* to hold that "we review the Board's decision on the basis of what the Board said." *See also Dubost v. PTO*, 777 F.2d 1561, 1566 (Fed. Cir. 1985) (also applying *Chenery*). The Federal Circuit's rejection of the *Chenery* principle is a recent development which has emerged as the court has clarified that it intends to apply principles of review gleaned from Federal Rule of Civil Procedure (FRCP) 52(a) in reviewing PTO decisions.[6]

B. Section 559 Does Not Justify Applying A Clearly Erroneous Standard Because That Standard Was Not Applied Prior To The Enactment Of The APA.

The modern clearly erroneous standard of review is the standard that an appellate court applies in reviewing the factual findings of a trial judge. *See In re Lueders*, 111 F.3d 1569, 1575 & n.8 (Fed. Cir. 1997) (referring to the clearly erroneous standard of FRCP 52(a) and stating that review of PTO board decisions would under "the same standards as applied to a decision from a district court"). Yet, over one half century

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[6] Importantly, however, the Federal Circuit does not seem to believe that it is bound to follow either FRCP 52(a) or generally applicable doctrines of administrative law. Thus, for example, in *Gechter v. Davidson*, 116 F.3d 1454, 1459 (Fed. Cir. 1997), the court noted that the PTO "Board is not bound by the Federal Rules of Civil Procedure." Nonetheless, the court relied on its own sense of "judicial policy" to require the PTO board to make detailed findings of fact and conclusions of law similar to those required by FRCP 52(a). *Ibid.* *Gechter* also cited *Chenery*, but not because the court thought it was bound to apply *Chenery*. Rather, the court cited *Chenery* to show that the PTO was not being treated too harshly because "other administrative tribunals" must meet the demands of *Chenery*. *Ibid.*

prior to the enactment of the APA, this Court in *Morgan v. Daniels*, 153 U.S. 120 (1894), held that courts reviewing the factual findings of the Patent Office were to afford the agency more deference than would be afforded in appellate review of a lower court. Judicial decisions prior to the enactment of the APA did not depart from that position.

1. *Morgan v. Daniels* and Judicial Deference to a "Special Tribunal" in the "Administrative Department."

Morgan arose from a dispute between two individuals, each of whom claimed to be the first to invent an improved machine for coiling wire. After the Patent Office declared an interference and decided the priority issue, the loser before the agency brought suit pursuant to section 4915 of the Revised Statutes, which permitted any applicant denied a patent by the agency to institute a suit in equity to establish the right to a patent. *See Morgan*, 153 U.S. at 121. Though that statute (which survives in a substantially similar form, *see* 35 U.S.C. § 145) authorized the court to adjudge the right to a patent "'as the facts in the case may appear,'" *Morgan*, 153 U.S. at 121 (quoting R.S. § 4915), the *Morgan* Court held that a reviewing court must give findings of the Patent Office a high level of deference. *Id.* at 123-25.

The case should not, the Court held, be treated as "a mere appeal from a decision of the Patent Office" in the sense that the case would be "subject to the rule which controls . . . an appellate court in reviewing findings of fact made by a trial court." *Id.* at 123. The case was "more than a mere appeal," the Court explained, because it was "an application to the court to set aside the action of one of the executive departments of the government." *Id.* at 124. The Court elaborated on the need for a high level of deference:

> The one charged with the administration of the patent system had finished its investigations and made its determination with respect to the question of priority of invention. . . . A new proceeding is instituted in the courts—a proceeding to set aside the conclusions reached by the administrative department. . . . It is a controversy between two individuals over a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises. As such it might be well argued, were it not for the terms of this statute, that the decision of the Patent Office was a finality upon every matter of fact.

Ibid. Ultimately, the Court established a standard under which a decision of fact by the Patent Office must be accepted by the court "unless the contrary is established by testimony which in character and amount carries thorough conviction." *Id.* at 125. But if the question is "doubtful," then "the decision of the Patent Office must control." *Ibid.*

Unlike *Morgan*, this case was not brought originally in a trial court, and it was not brought pursuant to a statute authorizing the judiciary to decide patent rights "'as the facts in the case may appear.'" *Morgan*, 153 U.S. at 121 (quoting R.S. § 4915). Yet, if anything, these differences suggest that deference is more appropriate in this case. The Federal Circuit is not a trial court and thus, unlike the lower court in *Morgan*, it is not designed to resolve factual disputes.[7] Moreover, the Federal Circuit does not have any statutory authorization that arguably calls for more searching factual review than that provided by the APA. Indeed, as acknowledged below, the

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[7] The lower court in *Morgan* was a circuit court, which at the time possessed original jurisdiction. *See* Paul M. Bator, et al., *The Federal Courts and the Federal System* 38 & n.47 (3d ed. 1988); *see also Morgan*, 153 U.S. at 120 (noting commencement of suit in circuit court).

clearly erroneous standard is wholly a creature of judge-made or "common law." *See* Pet. App. at 11a, 15a, 22a.

A second difference is that *Morgan* involved judicial review of an interference, rather than a denial of a patent to a single applicant. It has been suggested that judicial deference to the PTO should be greater in the former than in the latter situation. *See Fregeau v. Mossinghoff*, 776 F.2d 1034, 1041 (Fed. Cir. 1985) (Newman, J., dissenting) (arguing that *Morgan* should be limited to contested interferences). The Federal Circuit itself, however, has rejected this distinction and has held that *Morgan* applies generally in reviewing any PTO patentability decision. *See id.* at 1037-38.[8] Such parity between review of interferences and review of other PTO patentability decisions is consistent with administrative law developed in other contexts, *see NLRB v. Walton Mfg Co.*, 369 U.S. 404 (1962) (rejecting lower court practice of providing less deference to an agency where stakes are perceived to be higher), and is sound in this context too.

While judicial review of an interference involves a choice between two competing applicants, review of PTO decision to deny a patent to a single applicant presents a similar choice: It is a choice between the applicant and the public. And, just as a judicial decision overturning an agency interference decision reallocates rights from one party to another, a judicial decision reversing an agency's denial of a patent to a single applicant

[8] The court in *Fregeau* incorrectly interpreted the standard of review in *Morgan* to be equivalent to the "clearly erroneous" standard used by trial courts to review special masters and by appellate courts to review lower courts. *See* 776 F.2d at 1038 & n.2. The *Fregeau* court did not, however, consider the passages in *Morgan* holding that the review of the Patent Office was not to be "subject to the rule which controls a chancellor in examining a report of a master, or an appellate court in reviewing findings of fact made by the trial court." 153 U.S. at 123.

may also reallocate rights, though the reallocation would be from the public to the patent applicant. Yet, the PTO's role in denying patents is as important as its role in granting them. In denying patents, the PTO promotes the progress of the "useful Arts," U.S. Const., art. I, § 8, cl. 8, by keeping technology already in the public domain available to all. Thus, there is no reason to believe that the *Morgan* standard should be limited to review of a particular category of PTO decisions.

2. The Review Standard Applied in the Lower Courts Prior to 1946.

In the half-century after *Morgan* and prior to the enactment of the APA, the lower courts employed several verbal formulations to describe the standard of review applicable to Patent Office findings of fact. But more important than the particular verbal formulations used was a consistent theme: Like the Court in *Morgan*, the lower courts stressed the special expertise of the Patent Office as a potent reason for deferring to the agency's findings of fact. This consistent theme—which is generally inapplicable to appellate review of an ordinary trial court—demonstrates that the lower courts were not equating review of Patent Office decisions to appellate review of a trial court.

From 1893 until 1929, disappointed patent applicants had a right to judicial review in the Court of Appeals of the District of Columbia. *See Hoover Co. v. Coe*, 325 U.S. 79, 86-87 (1945). In 1929, that jurisdiction was transferred to the newly created Court of Customs and Patent Appeals (CCPA), *see id.*, where it remained until the creation of the Federal Circuit in 1982. The most common verbal formulation employed by both of these courts to describe their standard of review was the "manifestly wrong" standard. *In re Adamson*, 92 F.2d 717 (CCPA 1937) (decisions of the Patent Office will not be set

aside unless "manifestly wrong"); *In re Anhaltzer* , 48 F.2d 657, 658 (CCPA 1931) (same); *In re Wietzel*, 39 F.2d 669, 671 (CCPA 1930) (same); *In re* Demarest, 38 F.2d 895, 896 (CCPA 1930) (same); *Hopkins v. Riegger*, 262 F. 642, 643 (D.C. App.1920) (same). Thus, even on semantic grounds, there is good reason to doubt that the courts prior to 1946 were applying a clearly erroneous standard in reviewing decisions of the Patent Office.

Both the Court of Appeals for the District of Columbia and the CCPA also employed verbal formulations other than "manifestly wrong" in reviewing Patent Office decisions. *See, e.g.*, *In re Hornsey*, 48 F.2d 911, 912 (CCPA 1931) (stating, in affirming the Patent Office, that the agency's decisions would not be reversed unless "it is clear that they are erroneous"). These decisions, however, tended to cite other cases which did apply the "manifestly wrong" formulation. *See id.* (citing *Wietzel* and *Demarest*, *supra*, both of which used the "manifestly wrong" formulation).

Moreover, even those decisions not citing the "manifestly wrong" standard contained suggestions that the courts were employing a standard of review more deferential than the clearly erroneous standard. Thus, for example, the court in *In re Beswick's Appeal* stated that a dissatisfied patent applicant must "make out a clear case of error in order to obtain a reversal." 16 App. D.C. 345, 350 (1900). But not only did it affirm the agency, the *Beswick* court relied for its standard of review on two earlier cases, each of which (also in affirming the agency) had held that the Patent Office would not be overturned except in "a *very* clear case." *In re Smith's Appeal*, 14 App. D.C. 181, 185 (1899) (emphasis added); *In re Barratt*, 11 App. D.C. 177, 179 (1897) (same). Indeed, the *Barratt* court suggested that the agency decision might be *more* easily

overturned in an equity proceeding, *see id.*, which of course had been the procedural posture in *Morgan*.

Yet more important than semantics is the consistent theme in decisions of the Court of Appeals and, later, the CCPA, that the Patent Office was owed a special level of deference because of the technical nature of the issues and the agency's expertise in the area. *See, e.g.*, *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (refusing to overturn the Patent Office ruling on "subject matter which is highly technical in character"); *Anhaltzer*, 48 F.2d at 658 (holding that agency decisions on "intricate and highly technical questions" not to be disturbed unless "manifestly wrong"); *Wietzel*, 39 F.2d at 671 (same); *Hornsey*, 48 F.2d at 912 (refusing to reverse "the findings of experts of the Office on highly technical questions"); *Bonine v. Bliss*, 259 F. 989, 990 (D.C. App. 1919) (stating, in affirming the agency, that the matter "is primarily for the experts of the Patent Office, and will not be inquired into in this sort of proceeding except for manifest error"); *Beswick*, 16 App. D.C. at 350 (referring to the "expert tribunals of the Patent Office" in articulating the appropriate standard of review); *Smith*, 14 App. D.C. at 185 (same).[9]

Those articulated reasons for the courts' decisions are more reliable than any particular verbal formulation in indicating the level of deference the pre-APA courts thought due. As the Federal Circuit noted below, the pre-APA courts did not consistently employ any single talismanic formulation

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[9] In many cases, the examiners and the Board of Appeals within the Patent Office concurred in rejecting the applications, and the reviewing courts relied on the concurrence of views below as an another reason for deference. That factor, of course, does not distinguish this case, as the examiner and PTO Board of Patent Appeals and Interferences concurred in this case. *See also* note 13, *infra*.

in articulating their standard of review. *See* Pet. App. at 15a. But the courts were consistent in recognizing the technical nature of the issues presented and the expertise of the Patent Office in handling such matters. That rationale for deference is ordinarily not present in an appellate court's review of a trial court, as both courts are staffed with judges of general legal training.[10] And that rationale forms the principal basis for the more deferential standard applied in judicial review of administrative agencies. *See Universal Camera Corp. v. NLRB*, 340 U.S. 474, 488 (1951) (holding that APA's substantial evidence standard was not intended "to negative the function of the Labor Board as one of those agencies presumably equipped or informed by experience to deal with a specialized field of knowledge, whose findings within that field carry the authority of an expertness which courts do not possess and therefore must respect"). Accordingly, the stated rationale of the pre-APA courts provides good reason for interpreting their standard of review (whether it be called the "manifestly wrong" standard or something else) as more deferential to the agency than the modern clearly erroneous standard applied in appellate review.

Finally, in a paper delivered on February 5, 1947 (less than a year after the enactment of the APA), then-Commissioner of Patents Caspar Ooms concluded that "[a] study of the decisions of the appellate tribunals within which these adjudications [by the Patent Office] have been reviewed

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[10] In contrast, Congress has required all examiners-in-chief, who sit on the PTO board, to be "persons of competent legal knowledge and scientific ability." 35 U.S.C. § 7(a). (In addition to the examiners-in-chief, the PTO board also includes the PTO Commissioner, one Deputy and two Assistant Commissioners, but those officials are all appointed by the President with the advice and consent of the Senate, *see id.* § 3(a), and thus a statutory restriction on appointments might raise constitutional concerns. *See Public Citizen v. U.S. Department of Justice*, 491 U.S. 440, 466 (1989); *id.* at 483-84 (Kennedy, J., concurring in the judgment).)

discloses a recognition of each of the principles expressed in Section 10 of the [APA]." Ooms, *supra*, 38 Trademark Rept. at 159. This contemporaneous understanding immediately after the enactment of the APA undermines any claim that the pre-APA standards of review for the Patent Office were more stringent than the standards in the new Act.

III. Section 559 Does Not Freeze Pre-APA Common-Law Requirements Purportedly Found Only In Ambiguous Lower Court Decisions.

The first sentence of Section 559 states that the provisions of the APA "do not limit or repeal additional requirements imposed by statute or otherwise recognized by law."[11] This provision preserves pre-existing requirements on federal agencies, not inconsistent with the APA, that were established in statutes or in agency regulations. To the extent that Section 559 goes further—to the extent that it preserves additional requirements established solely by judicial decision—it should not be interpreted to preserve judge-made requirements found only in ambiguous lower court precedents and not yet recognized by this Court. A contrary interpretation of Section 559—an interpretation permitting the continued application of ambiguous lower court precedents applicable only to one agency—would be inconsistent with Congress's intent that the APA establish uniform principles of federal administrative law. Moreover, even if Section 559 were interpreted to permit continued application of pre-APA administrative common law, the statute plainly does not freeze pre-APA common law in time nor insulate that common law from review by this Court.

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[11] Section 559 is the codified version of Section 12 in the original APA, which provided: "Nothing in this Act shall be held . . . to limit or repeal additional requirements imposed by statute or otherwise recognized by law." Pub. L. No. 404, § 12, ch. 324, 60 Stat. 237, 244 (1946).

A. Ambiguous Lower Court Precedents Do Not Provide "Recognized" Requirements Under Section 559.

One of Congress's main goals in enacting the APA was to establish consistency and uniformity in federal administrative law. This congressional intention is demonstrated by two structural features in the text of the APA. First, as already discussed above in Part I, the broad definitions of "agency" and "agency action" mandate a general applicability for the statute. Second, Congress included a rule of construction in the APA, now set forth in the fifth sentence of Section 559, that "[n]o subsequent legislation shall be held to supersede or modify the provisions of this Act except to the extent that such legislation shall do so expressly." Pub. L. No. 404, § 12, 60 Stat. at 244, *codified in substantially similar form*, 5 U.S.C. § 559. This rule of construction prevents erosion of the general principles established by the Act.

In light of these structural features, the first sentence of Section 559 should not be interpreted to authorize continued use of a murky body of lower court precedents applicable to only a single federal agency. To be sure, Section 559 preserves more than just those "additional requirements" set forth in pre-APA statutory law. The category of "requirements . . . otherwise recognized by law" certainly extends to treaty obligations and, more importantly, to pre-existing agency rules granting greater procedural protections than those required by the APA. Whether the category extends beyond that—whether, for example, Section 559 would authorize the continued application of judge-made requirements well established in the pre-APA decisions of this Court—is not an issue presented by this case.

Even the Federal Circuit below acknowledged that the pre-APA case law of the CCPA and the Court of Appeals of the

District of Columbia was "ambiguous" on the precise standard of review being applied to factual decisions of the Patent Office. *See* Pet. App. 15a. Such ambiguity is fatal to any claim that those precedents provide requirements "recognized by law" within the meaning of Section 559. The pre-APA courts themselves did not recognize that they were applying special principles of judicial review to the Patent Office. Indeed, no pre-APA decision of the CCPA or the Court of Appeals ever defended the proposition that the Patent Office should be subject to more stringent standards of review than were other federal agencies that were subject to judicial review. And certainly no decision of this Court ever endorsed a special standard of review applicable only to the Patent Office. Thus, even if it could be shown that the CCPA or the Court of Appeals sometimes applied a less deferential standard of review, that standard should not be viewed as a "recognized" requirement within the meaning of Section 559.

Allowing an ambiguous body of lower court precedents to count as an "additional requirement . . . otherwise recognized by law" would be particularly inappropriate where the supposed "additional requirement" concerns a standard governing judicial review. In accordance with its general goal of generating greater uniformity in administrative law, Congress intended the judicial review provisions of the APA to establish a "simpl[e]" but nonetheless "comprehensive statement of the right, mechanics, and scope of judicial review."[12] Reforming and

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[12] 92 Cong. Rec. 5649 (1946) (statement of Rep. Walter) ("In the all-important field of judicial review, section 10 is a complete statement of the subject. It prescribes briefly when there may be judicial review and how far the courts may go in examining into a given case."), *reprinted in APA Legislative History* at 354; *see also* H. R. Rep. No. 1980, at 17, *reprinted in APA Legislative History* at 251; S. Rep. No. 752, at 7, *reprinted in APA Legislative History* at 193 (both describing § 10 as "set[ting] forth a

(continued...)

unifying the law was especially important for the standards governing judicial review on issues of fact. As this Court recognized in *Universal Camera*, the disparate approaches of pre-APA courts in reviewing agency findings of fact had "bred criticism," 340 U.S. at 477, and the new statute was "a response to pressures for stricter and more uniform practice, not a reflection of approval of all existing practices," *id.* at 489.

The Federal Circuit lost sight of the reformations wrought by the APA because the court relied on the 1947 *Attorney General's Manual on the APA* for the proposition that the act was merely intended to "'*restate the law of judicial review.*'" Pet. App. 7a (emphasis added by the Federal Circuit; quoting *Attorney General's Manual on the Administrative Procedure Act* 9 (1947) (hereinafter *AG's Manual*)). Yet this Court has rejected the view that "the judicial review provision[s] of the APA [are] no more than a restatement of pre-existing law." *Lujan v. National Wildlife Federation*, 497 U.S. 871, 883 (1990); *see also Universal Camera*, 340 U.S. at 489.

Though occasionally affording some weight to the *AG's Manual*, this Court has never suggested that the views in the *AG's Manual* should be adopted uncritically. Special care must be taken when considering the views of the *AG's Manual* on judicial review, for Congress chose to reject the recommendation of the prior Attorney General's Committee on Administrative Procedure that no legislation be enacted to govern judicial review. *See* Clark Byse & Joseph *v.* Fiocca, *Section 1361 of the Mandamus and Venue Act of 1962 and "Nonstatutory" Judicial Review of Federal Administrative Action*, 81 Harv. L. Rev. 308, 327 (1967). To support its

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[12](...continued)
simplified statement of judicial review designed to afford a remedy for every legal wrong").

"restatement" view of the APA's judicial review provisions, the *AG's Manual* relied mainly on the Attorney General's own letters to Congress, and the only piece of evidence from the congressional hearings cited in the *AG's Manual* tended to undercut the claim that Congress intended the APA to restate the preexisting law on judicial review. *See* John F. Duffy, *Administrative Common Law in Judicial Review*, 77 Tex. L. Rev. 113, 132-33 (1998). The text of the APA provides no basis for treating the judicial review provisions as wholly a restatement, and doing so here would frustrate Congress's intent to legislate a comprehensive and standard plan for judicial review.

B. Section 559 Does Not Insulate Pre-APA Common Law From Review By This Court.

To the extent that Section 559 preserves pre-APA common law, that law is not insulated from further development through the common law process. Sound common-law reasoning provides no justification for the continuation of a standard of review for the PTO different from that applicable to other federal agencies. Thus, federal common law no longer provides, within the meaning of Section 559, an "additional requirement" for judicial review of the PTO.

Just as Section 559 permits the continued application of additional statutory requirements but does not preclude the legislature from changing those requirements, so too it does not preclude the courts—the source of the common-law requirements—from clarifying and updating the common law to meet the changed conditions of modern administrative law. Indeed, the Federal Circuit acknowledged that its clearly erroneous standard was, at the very least, a modern clarification of pre-1946 administrative common law. *See* Pet. App. 22a-

23a. Thus, the court below correctly recognized that Section 559 does not freeze pre-1946 administrative common law.[13]

Continued clarification and development of the federal common law requires the rejection of a separate standard of review for the PTO in this case. The standards of review set forth in the APA are not overly deferential. Courts reviewing other federal agencies have been applying the APA's standards for decades, and this experience has shown that the statutory system allows judicial review to check agency action not supported by the record.[14] *See Citizens to Preserve Overton Park*, 401 U.S. at 419 (holding that the arbitrary and capricious test permits "[s]crutiny of the facts" to determine "whether there has been a clear error of judgment"); *State Farm*, 463 U.S. at 43 (holding that the arbitrary and capricious test permits reversal where agency's "explanation for its decision runs

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[13] The court also accurately noted that pre-APA common law might have (there is some ambiguity here too) varied the standard of review depending on whether the various components of the Patent Office agreed with each other. *See* Pet. App. 17a n.5. Such a rule could, under the Federal Circuit's theory, be viewed as an "additional requirement" under Section 559: The agency is required to have unanimity or be subject to more stringent review. But even if such a requirement might have, at one time, been an "additional requirement" under 559, it ceased to be when the CCPA changed its decisional law "[s]ome time in the early 1950s," *ibid.*, which was, of course, when this Court held that the APA's standard of review "is not modified in any way when the [National Labor Relations] Board and its examiner disagree." *Universal Camera*, 340 U.S. at 496. Again, this bit of history demonstrates that pre-APA common law standard of review can, and should, be modified to conform to the APA.

[14] Courts reviewing PTO patentability decisions may be able to apply a less deferential standard under the constitutional fact doctrine, *see* Thomas G. Field, Jr., *Law and Fact in Patent Litigation: Form Versus Function*, 27 Idea 153, 156-59 (1987), but that exception would be consistent with general administrative law principles and could be justified under Section 706(2)(F) of the APA.

counter to the evidence before the agency"); *see also* Nard, *supra*, 56 Ohio St. L.J. at 1476 (concluding that "arbitrary and capricious test . . . is by no means an empty standard" and will "subject the [PTO's] decision to a searching and thorough review and require the agency to adequately explain its decision"). The APA will not hobble the Federal Circuit in its role as the primary judicial overseer of the PTO. But adherence to the APA's framework for judicial review should lead to greater respect for the special expertise that the PTO, like other administrative agencies, possesses.

Moreover, adherence to the APA's standards would bring the review of PTO decisions into the mainstream of administrative law,[15] thereby furthering the goals of consistency and uniformity, which not only were endorsed by Congress in enacting the APA, but also are time-honored values in common-law reasoning. Similar situations should be governed by similar legal principles, and these principles should not be isolated from each other. A contrary approach needlessly fragments law and deprives courts of access to highly relevant bodies of precedent that could improve their jurisprudence.

Finally, the principles that this Court has developed to govern the appropriateness of federal common law—this Court's common law of federal common law—also suggest that supplementing the APA with federal judge-made law is not proper in these circumstances. Even in areas such as admiralty

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[15] The use of a clearly erroneous standard without legislative warrant appears to be unique in federal administrative law. *See generally* 2 Davis & Pierce, *supra*, *Administrative Law Treatise* § 11.3, at 198-99 (critiquing rare congressional authorization of a clearly erroneous standard in judicial review). The clearly erroneous standard appears in a few state administrative procedure acts but has drawn criticism even in that context. *See* Bernard Schwartz, *Administrative Law* § 10.12, at 648-49 (3d ed. 1991).

where jurisdictional provisions have been interpreted as authorizing the creation of federal common law, this Court still proceeds cautiously in that lawmaking enterprise, and with deference to Congress. Thus, for example, in *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 625 (1978), this Court held that, in exercising their power to fashion a common law of admiralty, the federal courts "are not free to 'supplement' Congress's answer so thoroughly that [a statute] becomes meaningless." This cautious approach to federal judge-made law recognizes Congress's "superior authority" in policymaking, *Miles v. Apex Marine Corp.*, 498 U.S. 19, 27 (1990), as well as the judiciary's "place in the constitutional scheme." *Id.* at 32; *see also Bush v. Lucas*, 462 U.S. 367, 389 (1983) (refusing to supplement a comprehensive statutory system because Congress was in a "far better position" to weigh the competing policy considerations); *see generally*, Duffy, *supra*, 77 Tex. L. Rev. at 141-46 (contending that administrative common law should be constrained by the restrictions generally applicable to federal common law). This Court's prior decisions have restricted the power of lower federal courts to develop extensive bodies of judge-made administrative law. *See Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). Patent law should not be immune from such fundamental considerations of federal court power.

IV. Stare Decisis Does Not Provide A Basis To Supplant The APA In This Case.

The Federal Circuit below "buttressed" its result with the principle of stare decisis. *See* Pet. App. 23a. Yet stare decisis should have little role here. Certainly, this Court has not held that the judicial review standards of the APA are inapplicable to PTO. To the contrary, the decisions of this Court suggest that the PTO board should be treated similarly to other "special

tribunal[s]" in "the executive departments of the government," *Morgan*, 153 U.S. at 123, and that the APA is applicable to the PTO, *see Sperry v. Florida*, 373 U.S. 379, 396-399 (1963).

While this Court occasionally affords some weight to a long line of lower court precedents, no such weight should be6 afforded to the decision below. The Federal Circuit's interpretation of Section 559 arrives here newly minted in this case. The Federal Circuit employed stare decisis below not to preserve a long-standing interpretation of the APA or some other statute, but rather to preserve "a long-standing *practice*." Pet. App. 23a (emphasis added). "Practice" is an accurate characterization, for the Federal Circuit's clearly erroneous standard evolved without consideration of the APA and without articulated reasons for why the PTO should be subject to different standards of judicial review.

In similar circumstances, this Court has not afforded much, if any, stare decisis weight to such unexamined practices. For example, in *Darby v. Cisneros*, this Court considered Section 704 of the APA (Section 10(c) of the original statute), which for decades "had been almost completely ignored in judicial opinions." 509 U.S. 137, 145 (1993) (relying on 3 K. Davis, Administrative Law Treatise § 20.08, 101 (1958), and 4 K. Davis, Administrative Law Treatise § 26.12, 468-469 (2d ed. 1983)). Though the Court expressed "surpris[e]" at this long history of neglect, the Court afforded no weight to the practice of the lower courts.

The case for stare decisis is even weaker here than it was in *Director, Office of Workers' Compensation Programs v. Greenwich Collieries*, 512 U.S. 267 (1994). There, the Court interpreted Section 556(d) of the APA (Section 7(c) of the original statute) to impose the burden of persuasion on the proponent of an agency rule or order. The Court acknowledged

that one of its prior decisions had asserted a contrary interpretation of the statute but noted that the parties in that case had not briefed the issue fully and the Court had not considered it thoroughly. *See* 512 U.S. at 277. Thus, the Court concluded that the prior decision's "cursory answer to an ancillary and largely unbriefed question does not warrant the same level of deference we typically give our precedents." *Ibid.*

Even more than *Darby* or *Greenwich Collieries*, this case involves neglect, not reasoned and considered interpretation, of a provision of the APA. Such a history of neglect merits no stare decisis weight.[16]

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[16] *Darby*, *Greenwich Collieries* and this case all involve provisions in the APA from either Section 7(c) or Section 10 of the original statute. It may be no mere coincidence that provisions from these particular two sections would be misinterpreted or neglected for so long after the enactment of the APA. A 1947 editorial by the American Bar Association warned against the "official interpretative pattern," then emerging from the Executive Branch, that "striv[ed] to minimize the import and effect of the provisions of Sections 7(c) and 10 respecting 'evidence' and 'judicial review.'" Editorial, *The Agencies and the Administrative Procedure Act*, 33 A.B.A. J. 16, 16 (1947). The ABA Editorial warned that agencies were beginning to assert that the Act "merely embodied" prior practice and procedure, and that this interpretation was a "divergence" between the legislative intent and "the views of those whose procedures and practices were to be regulated and curbed by the new Act." *Id.* This "official interpretative pattern" was memorialized in the *Attorney General's Manual on the APA*, which interpreted Section 7(c) not to impose a burden of persuasion on agencies and contended that Section 10 did nothing more than restate preexisting law. *See AG's Manual* at 75 (interpreting Section 7(c)), and at 9, 93, 94, 99, 105, 108, 110 (all asserting that Section 10 merely restates existing law). To the extent that the court below looked to this source for guidance in interpreting the statute, *see* Pet. App. 7a, it is not surprising that the court underestimated the import of the statute.

CONCLUSION

For the foregoing reasons, the judgment below should be reversed and the case remanded for further proceedings.

Respectfully submitted,

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1998

Q. TODD DICKINSON,
Acting Commissioner of Patents and Trademarks,
Petitioner,
v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREW H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF *AMICUS CURIAE* HOUSTON INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENTS

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

No. 98-377

Q. TODD DICKINSON,
Acting Commissioner of Patents and Trademarks,
Petitioner,

v.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN,
ANDREW H. MASON, PAUL D. SAWYER,
LESLIE R. KENDALL, and STEVEN P. LIPNER,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF *AMICUS CURIAE* HOUSTON INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENTS

INTERESTS OF THE *AMICUS CURIAE*

The Houston Intellectual Property Law Association HIPLA) is an association of over 400 lawyers and other professionals who work in the Houston, Texas area.[1] The

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[1] No counsel for a party authored this brief in whole or in part, and no person or entity, other than *amicus curiae*, its members or counsel, has made a monetary contribution to the preparation or submission of this brief. Written consents of the petitioner and respondent have been obtained and filed with the Clerk of the Court.

practice of most of the HIPLA membership relates in substantial part to the field of intellectual property law. Founded in 1961, HIPLA is one of the largest regional associations of intellectual property practitioners in the United States.

HIPLA is not presently affiliated with any of the parties to this appeal. Although a HIPLA member represented Respondents in proceedings before the Patent & Trademark Office (PTO) and before the original panel of the Federal Circuit, that representation was discontinued before that Court's *en banc* rehearing of this matter, and before briefing commenced for the same. A number of HIPLA members are employed by Compaq Computer Corp., Respondents' real party in interest. None of those individuals were consulted in the preparation or approval of this brief.

HIPLA takes no position on the merits of Respondents' patent application, and has no interest in whether that application issues as a United States patent. HIPLA is, however, interested in the practical consequences to the patent system and its participants should this Court adopt the position staked by Petitioner. Because those consequences may not adequately be set out in the briefing of the parties, HIPLA respectfully asks this Court to consider the arguments set forth herein in its decision of this matter.

SUMMARY OF THE ARGUMENT

This case will not limit judicial review of the Board of Patent Appeals and Interferences (BPAI) to "the standards prescribed by the APA and now codified at 5 U.S.C. § 706." Pet. Brief 15. It will not diminish the power of the federal courts to "interfere[] with [the BPAI's] discharge of the responsibilities that have been delegated to the agency by Congress." *Id.* at 18. It will not circumscribe judicial review of "the expert judgments of [the BPAI] on matters within its jurisdiction" to the "limited bounds prescribed by Congress for the review of administrative action under the APA." *Ibid.* Regardless of how this Court disposes of *this* case, searching and detailed review of BPAI decisions denying patentability will continue —but only for those applicants who have the time and resources to mount a civil action (under 35 U.S.C. § 145) against the Commissioner in the United States District Court for the District of Columbia.

As to the patentability issues commonly decided by the BPAI, the difference between the standard of review urged by Petitioner and that which has been followed for years by the Federal Circuit and its predecessor court is not merely a semantic quibble. If forced to review the BPAI on its own reasoning, the Federal Circuit would be compelled to affirm denials of patents which in the past it has been free to reverse. Conclusions regarding compliance with the statutory requirements, such as of enablement (35 U.S.C. § 112) and nonobviousness (35 U.S.C. § 103), are invariably grounded in judgments or reasoning as to the requirements and scope of an invention, and the nature and significance of its advance over what has preceded it. Once this conceptual groundwork is laid, the patent application is assessed against the prior art for compliance with the statute. If in reviewing decisions of the BPAI the Federal Circuit were bound by its reasoning, then reversals of BPAI decisions would be limited to cases in which the BPAI has either applied an erroneous legal standard, or has clearly misread the application or a prior art reference. Cases such as this one, in which there is no dispute as to the scope of what is claimed, the disclosure of the prior art, or the proper legal standard for assessing patentability, would be affirmed as a matter of course.

By adopting Petitioner's position, the Court would not foreclose patent applicants in Respondents' position from securing meaningful review of the BPAI. All that will change is the forum. The patent statute provides that "[a]n applicant dissatisfied with the decision of the Board of Patent Appeals and Interferences may . . . have remedy

by civil action against the Commissioner in the United States District Court for the District of Columbia." 35 U.S.C. § 145. Proceedings under § 145 are, in effect, *de novo*—since the parties are free to present evidence that was not submitted to the Patent Office. Today, § 145 is seldom invoked, since appeal to the Federal Circuit is far more convenient and expeditious. But if this Court were to limit the Federal Circuit's review of the decisions of the BPAI to what is set forth in 5 U.S.C. § 706, then those applicants having adequate resources will go to the United States District Court for the District of Columbia instead.

Among the consequences of such a decision are (1) an increase in the time and expense of securing judicial review; (2) the creation of a *de facto* dual review system, which provides meaningful review to the well-heeled applicant and denies it to those who cannot afford a § 145 proceeding; (3) an increase in the burden to the federal judiciary for each BPAI decision that is reviewed; and (4) a shift in review responsibility from a specialized patent court that relishes Patent Office appeals to a district court, which (we suspect) greets these matters with somewhat less enthusiasm. This is not a course that this Court should take, absent clear precedent which limits its freedom to act. There is no such precedent. This Court should affirm the Federal Circuit's *en banc* decision.

ARGUMENT

If adopted, Petitioner's position would disserve all participants in the patent system—from the federal courts to the PTO to the general public that is served by both. It is not a position that is compelled by anything in the APA, its legislative history, or in this Court's precedent relating to the same. It is not a position that this Court should adopt.

I. THERE IS NO CLEAR AUTHORITY FOR LIMITING REVIEW OF BPAI ACTIONS TO THE STANDARDS OF 5 U.S.C. § 706

Whatever the merits of the arguments advanced by the parties regarding the layout of the APA and its legislative history, one thing is abundantly clear—there is no direct authority which requires this Court to adopt Petitioner's position. Nothing in the legislative history indicates that the APA was intended to *curtail* the then-applicable scope of judicial review, whether of the PTO or of any other federal agency. If anything, the APA was intended to *facilitate* judicial review of agency actions. *See* 1 Kenneth Culp Davis, *Administrative Law Treatise*, § 1:7 at 21-24 (2d ed. 1978).

And nothing in this Court's case law compels the conclusion advanced by Petitioner. This Court has found that the APA may (in some cases) limit the power of the courts to fashion and impose specific procedures for agency rule making. *See Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 413-414 (1971); *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-549 (1978). This Court has in *dicta* suggested that the APA limits the standard of judicial review of an agency's informal rule making. *American Paper Inst. v. American Elec. Power Serv. Corp.*, 461 U.S. 402, 412-413 n.7 (1983) ("absent a specific command in PURPA to employ a specific standard of review, the full-avoided cost rule must be reviewed solely under the more lenient arbitrary-and-capricious standard prescribed by the Administrative Procedure Act for judicial review of informal rule making"). This Court has held that the APA may dictate the standard of proof to be applied in adjudicatory proceedings *of the agency*. *See Steadman v. SEC*, 450 U.S. 91, 95-97 (1981). But this Court has never held that the APA limits the standard to be applied in judicial review of agency adjudicatory actions or abrogated standards of review that were well-entrenched at the time of its adoption.

Since Petitioner's position is not one that is compelled by the APA, its legislative history, or this Court's precedent, it should not be adopted, especially in light of its consequences.

II. ADOPTING PETITIONER'S POSITION WOULD UNDERMINE THE UTILITY OF APPEAL TO THE FEDERAL CIRCUIT UNDER 35 U.S.C. § 141

The patent statute provides two avenues for judicial review of decisions of the BPAI. The first is by appeal to the Federal Circuit. 35 U.S.C. § 141. The second is by civil action against the Commissioner in the United States District Court for the District of Columbia. 35 U.S.C. § 145. Of these two procedures, the first is overwhelmingly favored by patent applicants.

The reasons for this are plain. Appeals to the Federal Circuit are based upon the written record prepared in the Patent Office. 35 U.S.C. § 143. By the time an appeal is taken, the applicant will have already prepared (for the BPAI's consideration) a brief setting forth the relevant background and authority in support of her position. *See* 37 C.F.R. § 1.192. All that remains to convert this work into a proper Appellant's Brief is to revise the argument to address the specifics of the BPAI's decision. The appeal procedure under § 141 is quick and inexpensive, and (with the exception of "test cases" such as this one) will produce a reasonably expeditious result. Because this convenient procedure is believed to offer a reasonable opportunity to secure patent rights that were improperly withheld by the BPAI, it is the procedure of choice for securing judicial review. Even *pro se* litigants have prosecuted successful appeals to the Federal Circuit (or its predecessor) under § 141. *See In re Benno*, 768 F.2d 1340 (Fed. Cir. 1985); *In re Pardo*, 684 F.2d 912 (C.C.P.A. 1982); *In re Gaubert*, 524 F.2d 1222 (C.C.P.A. 1975); *In re Goodman*, 476 F.2d 1365 (C.C.P.A. 1973).

Petitioner's position would change all of this. Limiting the Federal Circuit to "substantial evidence" review of BPAI fact findings would severly limit the power of that Court to remedy the improper denial of patent rights. The *en banc* panel stated (and Petitioner does not disagree) that the APA standards would require that the Federal Circuit "review board decisions on their own reasoning." Pet. App. 3a. In the context of the patentability issues that are most commonly reviewed by the Federal Circuit, this is a very significant limitation. In many of these cases, the facts are not in dispute. The reasoning determines the outcome.

This case offers an excellent illustration. There is no dispute as to what Respondents are attempting to claim. There is no dispute as to the capabilities and limitations of the prior art UNIX and FILER2 software. The dispute centers upon the validity of the examiner's determination (as affirmed by the BPAI) that one of ordinary skill in the relevant art "would have been led from these teachings to take a trusted command parsed in the untrusted environment and submitted to the trusted computing environment, as taught by UNIX, and to display the parsed command to the user for confirmation prior to execution, as suggested by [FILER2]." This determination is premised upon and determined by the reasoning applied by the examiner (and the BPAI) to the undisputed facts. If the Federal Circuit were obligated to accept this reasoning, then it would have to affirm the BPAI. It is for this reason that the Federal Circuit recognized that the standard of review was material to its decision, and accepted this case for *en banc* rehearing. Pet. App. 2a.

This case is not an anomaly, and this Court should not interpret the Federal Circuit's past reluctance to address its standard of review as any indication that it is. In most of the cases where the Federal Circuit held its review standard immaterial, the Court affirmed the BPAI under the clear error standard. *See In re Mac Dermid, Inc.*, 111

F.3d 890, 890-91 (Fed. Cir. 1997); *In re Kemps*, 97 F.3d 1427, 1430-31 & nn.5-6 (Fed. Cir. 1996); *In re Napier*, 55 F.3d 610, 614 (Fed. Cir. 1995). In the one reversal where the Federal Circuit refused to reconsider its standard of review, the Court emphasized that the BPAI decision would not be sustained under a substantial evidence standard. *In re Brana*, 51 F.3d 610, 614 (Fed. Cir. 1995).[2] The Federal Circuit has, in numerous decisions, disagreed with the BPAI's reasoning regarding the scope of an invention, the nature and significance of its advance over what has preceded it, the motivations in the prior art to make it, etc. Under the limited review advocated by Petitioner, those cases would likely have been decided against the applicant, and not (as actually resolved) in the applicant's favor. *See In re Rouffet*, 149 F.3d 1350 (Fed. Cir. 1998); *In re Leuders*, 111 F.3d 1569 (Fed. Cir. 1997); *In re Brouwer*, 77 F.3d 422 (Fed. Cir. 1996); *In re Ochiai*, 71 F.3d 1565 (Fed. Cir. 1996); *In re Chu*, 66 F.3d 292 (Fed. Cir. 1995); *In re Deuel*, 51 F.3d 1552 (Fed. Cir. 1995); *In re Soni*, 54 F.3d 746 (Fed. Cir. 1995); *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994); *In re Mills*, 916 F.2d 680 (Fed. Cir. 1990); *In re Grasselli*, 713 F.2d 731 (Fed. Cir. 1983).

III. ADOPTING PETITIONER'S POSITION WOULD SHIFT THE PREVALENT JUDICIAL REVIEW PRACTICE FROM § 141 TO § 145

This case, as well as the ones cited above, illustrates the significance of the standard of review to the reception that a patent applicant might expect in appeals to the Federal Circuit of decisions of the BPAI. In many cases, that difference will be the difference between likely success and futility. If this Court adopts the position advocated by Petitioner, then the (we suspect, numerous) applicants

[2] In *In re Lueders*, 111 F.3d 1569, 1574-78 (Fed. Cir. 1997), the panel refused to refer the issue for *en banc* review, without commenting on the materiality of the standard of review to the case in front of it.

for whom § 141 review would become an empty exercise will employ the procedures of § 145, if they can afford them.

That statute provides that an applicant dissatisfied with a decision of the BPAI may have a remedy by civil action against the PTO Commissioner in the United States District Court for the District of Columbia. That court "may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Patent Appeals and Interferences, as the facts in the case may appear". 35 U.S.C. § 145. As this Court has noted (regarding the predecessor to § 145), "a formal trial is afforded on proof which may include evidence not presented in the Patent Office." *Hoover Co. v. Coe*, 325 U.S. 79, 83 (1945). When new evidence is presented on a disputed question of fact, the district court gives no deference to the findings of BPAI, but will make a *de novo* determination of the disputed issue. *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985).[3]

An applicant who is denied a patent by the BPAI, and who cannot mount an effective challenge to that decision under the APA standard of review, will in almost every case be able to procure *de novo* review under § 145. All that is required is new evidence. That new evidence may take the form of technical treatises or periodicals, inventor testimony, expert affidavits, or experiments. It is difficult to imagine a case in which such evidence could *not* be generated.

Even if this Court were to agree with Petitioner, the fact findings of the BPAI would *not* be insulated from review under a standard more rigorous than that specified

[3] Under current Federal Circuit precedent, where no new evidence is presented, the district court reviews the BPAI's fact findings for clear error. *Fregeau*, 776 F.2d at 1038. Although the issue is not presnted, Petitioner would likely contend that this review should also be limited to the APA standard.

in the APA. All that will change is the forum. HIPLA believes that this change will be for the worse, and will disserve the interests of almost every participant in the patent system.

IV. THE PATENT SYSTEM IS BEST SERVED BY PRESERVING § 141 AS A VEHICLE FOR EFFECTIVE JUDICIAL REVIEW

Patent applicants are best served by the current system. What applicants require is quick and inexpensive access to meaningful review of the BPAI. Appeals under § 141 provide such review. In contrast, proceedings before a district court can include written discovery, depositions, expert reports, disclosure obligations, court-supervised ADR, and a host of other procedures that are merely ancillary to the applicant's ultimate objective of procuring some decision on the merits of her application. The last sentence of § 145 imposes court costs on the applicant, regardless of the outcome. And if the applicant prevails, then the Commissioner can appeal *that* result to the Federal Circuit, thereby imposing further expense and delay. There is simply no comparison between the relative burden on applicants of appeals under § 141 and civil actions under § 145. Restricting meaningful judicial review to the latter procedure would place it beyond the reach of countless individuals and small businesses--the very people who have the greatest need for the exclusive rights that are secured by a patent.

The Patent Office is best served by the current system. HIPLA seriously doubts that the PTO Commissioner and his Solicitor's Office would welcome a shift in judicial review practice from appeals on a written record under § 141 to trials *de novo* under § 145. Yet that is exactly what will happen if this Court adopts the position which Petitioner advocates.

The federal courts are best served by the current system. It encourages review of BPAI decisions by a court

having specialized jurisdiction in patent matters. Unlike many district court judges, the judges of the Federal Circuit actually like to decide patent cases. That Court is assisted in those cases by a special staff educated in various aspects of patentable technology, and by law clerks who (in some instances) have a special interest and training in the patent law. The United States District Court for the District of Columbia is an outstanding institution. But its experience in patent matters cannot be compared to the Federal Circuit's. And we suspect that the increase in § 145 actions that would follow adoption of Petitioner's position would not be a welcome addition to that Court's docket.

The only beneficiaries of what Petitioner proposes will be the lawyers—and only those lawyers who care more for their pocketbooks than for fair and efficient process.

CONCLUSION

HIPLA respectfully requests that this Court affirm the judgment of the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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BRIEF OF *AMICUS CURIAE* PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether the Administrative Procedure Act bars the Court of Appeals for the Federal Circuit from applying the "clearly erroneous" standard to review fact-finding of the Patent and Trademark Office in patent appeals.

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BRIEF OF *AMICUS CURIAE* PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA IN SUPPORT OF RESPONDENTS

I. THE INTEREST OF *AMICUS CURIAE*[1]

The Pharmaceutical Research and Manufacturers of America ("PhRMA") is a non-profit scientific and educational

[1] The parties have consented to the submission of this brief. Their letters of consent have been filed with the Clerk of the Court. No counsel for a party authored this brief in whole or in part, and no person or entity, other than the *amicus curiae*, its members, or its counsel, made a monetary contribution to the preparation or submission of this brief.

trade association representing virtually all of the major research-based pharmaceutical companies in the United States. The members of PhRMA and its Research Affiliates are listed in Appendix A. They invent, develop and market most of the prescription medicines sold in the United States and worldwide.

No other high technology industry in the United States has a greater need for stability and certainty in the U.S. patent laws than America's research-based pharmaceutical industry. In no other industry can an invention that costs so much to discover, develop and bring to market be copied so inexpensively. The United States Office of Technology Assessment estimated, for example, that the pre-tax capitalized cost of bringing a new drug to market is $359 million (in 1990 dollars).[2] That same medicine can be copied by a generic drug company for a tiny fraction of that amount, often less than $1 million.[3] It is no overstatement to say that if it were not for a well working patent system, there would be no research-based pharmaceutical industry as we know it.

With respect to no other industry, therefore, is there a greater need for uniformity and predictability in the administration of the U.S. patent laws. PhRMA submits this brief, *amicus curiae*, in support of Respondents Zurko et al. in the interest of such uniformity and predictability. Neither PhRMA nor its Members, Research Affiliates or International Affiliates have any direct stake in the outcome of this specific case.

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[2] "1997 Industry Profile," Pharmaceutical Research and Manufacturers of America, Washington, D.C., page 16 (March, 1997).

[3] "Sustaining Innovation in U.S. Pharmaceuticals," Report of the Boston Consulting Group, page 15 (January, 1996).

II. SUMMARY OF ARGUMENT

For the reasons set forth below, PhRMA, as *amicus curiae*, urges the Court not to change the long-standing "clearly erroneous" standard of review for findings of fact by the United States Patent and Trademark Office ("PTO") Board of Patent Appeals and Interferences.

The Administrative Procedure Act ("APA")[4] was enacted by Congress and signed by President Truman in 1946 to establish closer judicial supervision over administrative agencies that had been established during the 1930's and 1940's.[5] To construe the APA at this late date to provide greater leeway to a 150-year-old agency already subject to a long-standing and well defined standard of review is not required by that Act.[6] Overruling more than six decades of *stare decisis* on the standard of review of PTO decisions at this late date — based upon a very recent interpretation of a statute that itself was enacted more than one-half century ago and without any practical or public policy justification — would inject a serious note of uncertainty into patent law and run directly counter to the overriding reasons that the Federal Circuit was established.

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[4] 5 U.S.C. §§551-559 and 701-706.

[5] 92 Cong. Rec. 2149-50 and 2163-64 (1946), Attorney General's Manual on the Administrative Procedure Act 101 (1947).

[6] Based upon the comprehensive review by the Federal Circuit in this case — of both the history of the APA and that of the patent appeal process — the less deferential "clearly erroneous" standard of review of PTO fact-finding is an "additional requirement" under §559 of the APA recognized before the enactment of the APA.

III. ARGUMENT

The Court of Appeals for the Federal Circuit was established in 1982 in a bipartisan effort to bring certainty and stability to U.S. patent law. Based upon a key recommendation of President Carter's Domestic Review of Industrial Innovation, a centralized national court with exclusive appellate jurisdiction over patent-related cases was viewed in that Review as "a vehicle for ensuring a more uniform interpretation of the patent laws and thus contributing meaningfully and positively to predicting the strength of patents."[7] While the bill was pending it enjoyed the strong support of the Reagan Administration. As pointed out in the Report of the Senate Judiciary Committee accompanying the Federal Courts Improvement Act, "throughout the development of this legislation, the Committee and its staff have worked closely with the Departments of Justice and Commerce . . . ."[8] Then-Secretary of Commerce, the late Malcolm Baldridge, was a strong supporter of the creation of the Court. In his often-expressed view, successful business executives are able to "manage around" adversity; they cannot handle uncertainty. The research-based pharmaceutical industry also strongly supported enactment of the bill creating the Federal Circuit to help ensure uniformity and

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[7] Hearings on H.R. 6033, H.R. 6934, H.R. 3806 and H.R. 2414 before the Subcommittee on Courts, Civil Liberties and the Administration of Justice, House Committee on the Judiciary, page 797, 96th Cong., 2d Sess. (1980).

[8] Senate Report No. 97-275, page 4, 97th Cong., 1st Sess. (November 1981). The author of this brief served as Commissioner of Patents and Trademarks (1981-1985) and was directly involved in supporting the establishment of the Court of Appeals for the Federal Circuit. *See* Chisum et al., Principles of Patent Law 29 (Foundation Press 1998).

predictability in the patent law and to "eliminate geography-dependent patent opinions."[9]

Although a direct causal relationship cannot be proven, PhRMA submits that it is not coincidental that, since the creation of the Federal Circuit, America's research-based pharmaceutical industry has increased its investment in domestic research and development exponentially — from $2.3 billion in 1982 to an estimated $17 billion in 1998.[10] During that same time, the percentage of domestic sales and exports devoted to research and development has increased from 14% in 1982 to 20% in 1998.[11]

The quintessential reason for giving the Federal Circuit exclusive jurisdiction over all patent-related cases was to ensure that a single reviewing court would decide (1) which inventions would be entitled to a patent in appeals from decisions of the PTO and (2) under what rules those patents should be adjudicated in patent infringement actions in the Federal district courts. Establishing a different standard of review for fact finding by the PTO and fact finding by the district courts would run directly counter to this well conceived Congressional plan.

An inventor dissatisfied with a decision of the PTO Board of Appeals and Interferences has two alternative appeal options: (1) to file a civil action against the Commissioner in the District Court for the District of Columbia under 35 U.S.C. §145, with the possibility of a subsequent appeal from

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[9] Statement of Dr. P. Roy Vagelos, then-President, Merck, Sharp & Dohme Research Laboratories, Hearings on H.R. 6033, H.R. 6934, H.R. 3806 and H.R. 2414, *supra* note 7, at page 72.

[10] *See* Appendix B.

[11] *See* Appendix C.

the District Court to the Court of Appeals for the Federal Circuit or (2) to appeal directly to the Court of Appeals for the Federal Circuit. An applicant wishing to present factual evidence would select option (1). But if the District Court for the District of Columbia were to reverse the PTO under 35 U.S.C. §145, *its* findings of fact would be subject to a clearly erroneous standard if the PTO chose to perfect an appeal to the Federal Circuit. Would the PTO then argue that its *original* (*i.e.*, the PTO's) findings of fact be reviewed under the APA? And what standard would the District Court be asked to use in a §145 action?

Adopting the urgings of the Government at this late date — and reversing several decades of *stare decisis* — would be justified *only* for a most compelling policy or practical reason.[12] But no such reason has been argued. Indeed, PhRMA submits that no such reason exists. To the contrary, sound public policy would dictate that an inventor *not* be denied a U.S. patent based on PTO findings of fact that the Federal Circuit determines are clearly erroneous. That, however, would be the inevitable result of accepting the Government's argument.

Significantly, Congress codified the patent laws in Title 35 of the United States Code in 1952 — just six years after enactment of the APA — and in doing so Congress did *not* change the then-long-standing standard of review. Equally significant, Congress amended Title 35 in 1962 to apply the APA standard of review to the PTO, but *only* to subsection (c) of §135 regarding patent interferences — leaving standing the well-established "clearly erroneous" standard of review under 35 U.S.C. §§141 *et seq*. in patent appeals. This appears to be

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[12] *Arizona v. Rumsey*, 467 U.S. 203, 104 S. Ct. 2305, 81 L.Ed.2d 164 (1984); *Patterson v. McLean Credit Union*, 491 U.S. 164, 109 S. Ct. 2363, 105 L.Ed.2d 132 (1989).

a persuasive indication that Congress did not deem the APA applicable to any other section of Title 35 or to Title 35 in its entirety. Indeed, it was not until 1993 — more than 45 years after the APA was enacted — that the PTO itself argued that its findings of fact were somehow entitled to greater deference than they had received for more than six decades.[13]

Perhaps a key reason for that long period of acquiescence is that patent procedures at the PTO bear little resemblance to what is normally viewed as administrative fact-finding. A Patent Examiner reviews a submitted patent application against "prior art" — *i.e.*, prior published patents and publications — and makes an *ex parte* determination of patentability, typically under 35 U.S.C. §§101, 102, 103 and 112. Appellate review by the PTO's Board of Appeals and Interferences does not involve administrative fact finding but only the submission of written and possibly unrecorded oral arguments. The "facts" are nearly always limited to the patent application itself and the published prior art — no more![14] This is sharp contrast to normal administrative fact finding under the APA that involves the presentation of factual or expert testimony or evidence. The "unsupported by substantial evidence" test of the APA makes little sense with respect to PTO appeals. It could be argued that the

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[13] *See In re Napier*, 55 F.3d 610, 34 USPQ2d 1782 (Fed. Cir. 1995), wherein the Commissioner of Patents and Trademarks appears for the first time to argue that the APA's standards of review should be applied to PTO's findings of fact on patentability.

[14] *See generally*, Manual of Patent Examining Procedure, Chapter 1200 (U.S. Patent and Trademark Office, 7th ed. 1998). The author of this brief also served as a Patent Examiner (1957-1961) and as Deputy General Counsel of the National Aeronautics and Space Administration (1976-1981). In that latter position, he supervised NASA's participation in a myriad of administrative hearings, each fundamentally different from the "fact finding" of PTO patent appeals.

Examiner's judgment or opinion that an invention is obvious under 35 U.S.C. §103 — *e.g.*, on the issue of his or her using impermissible hindsight — would nearly always be supported by "substantial evidence" (*i.e.*, the published prior art) even if that judgment or opinion were deemed to be clearly erroneous by a reviewing court.

IV. CONCLUSION

The long-established "clearly erroneous" standard of review used for decades is ideally suited to the virtually unique administrative procedures used by the PTO in determining issues of patentability. The APA does not require a change in that standard. Nor should more than six decades of *stare decisis* be overturned without any practical or public policy justification.

For the foregoing reasons, PhRMA urges this Court to affirm the decision of the Federal Circuit in this case.

Respectfully submitted,

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Dated: January 14, 1999

APPENDIX -

APPENDIX A

Pharmaceutical Research and Manufacturers of America

PhRMA MEMBER COMPANIES
JANUARY 1999

MEMBERS

Agouron Pharmaceuticals
Aiza Copporation
American Home Products, Corp.
Amgen, Inc.
Astra Pharmaceuticals
Athena Neurosciences, Inc.
Bayer Corporation
Biogen, Inc.
Boehringer Ingelheim Corporation
Bristol-Myers Squibb Company
Dupont Pharmaceuticals
Fujisawa USA, Inc.
Genentech, Inc.
Genzyme Corporation
Gilead Sciences
Glaxo Wellcome Inc.
Hoechst Marion Roussel
Hoffman-La Roche, Inc.
Johnson & Johnson
Knoll Pharmaceutical Company
Eli Lilly and Company
The Liposome Company, Inc.
Merck & Co., Inc.
Novartis Pharmaceuticals Corp.
Nycomed Inc.
Organon Inc.
Pasteur Merieux Connaught
Pfizer Inc.
Pharmacia & Upjohn
The Procter & Gamble Company
Purdue Pharm L.P.
Rhone-Poulenc Rorer, Inc.
Sanofi Pharmaceuticals, Inc.
Scherring-Plough Corporation
Schwarz Pharma Inc.
Searle
Serono Laboratories, Inc.
SmithKline Beecham p.l.c.
Solvay Pharmaceuticals, Inc.
3M Pharmaceuticals
Warner-Lambert Company
Zeneca Pharmaceuticals Group

RESEARCH AFFILIATES

Affymax Research Institute
Alkermes, Inc.
Aronex Pharmaceuticals, Inc.
Astra Arcus USA
Aviron
Axys Pharmaceuticals, Inc.
Beacon Laboratories, Inc.
Block Drug Company, Inc.
Cambridge NeuroScience, Inc.
Celgene Corporation
Cephalon, Inc.
Covance, Inc.
Cyto Therapeutics, Inc.
ICOS Corporation
ISIS Pharmaceuticals, Inc.
Ligand Pharmaceuticals, Inc.
North American Vaccine, Inc.
PathoGenesis Corporation
Penwest Pharmaceuticals Group
Scios Inc.
Sepracor, Inc.
TheraTech, Inc.
Vertex Pharmaceuticals, Inc.
ViroTex Corporation

APPENDIX B

Growth in Domestic U.S. R&D and R&D Abroad, Ethical Pharmaceuticals Research-based Pharmaceutical Companies, 1970-98

Year	Domestic U.S. R&D ($ mil.)	Annual Percent Change	R&D Abroad ($mil.)	Annual Percent Change	Total ($mil.)	Annual Percent Change
*1998	17,222.5	11.0%	3,839.0	9.9%	21,061.5	10.8%
*1997	15,516.6	13.9%	3,492.1	6.5%	19,008.7	12.4%
1996	13,627.1	14.8%	3,278.5	-1.6%	16,905.6	11.2%
1995	11,874.0	7.0%	3,333.5	**	15,207.4	**
1994	11,101.6	6.0%	2,347.8	3.8%	13,449.4	5.6%
1993	10,477.1	12.5%	2,262.9	5.0%	12,740.0	11.1%
1992	9,312.1	17.4%	2,155.8	21.3%	11,467.9	18.2%
1991	7,928.6	16.5%	1,776.8	9.9%	9,705.4	15.3%
1990	6,802.9	13.0%	1,617.4	23.6%	8,420.3	14.9%
1989	6,021.4	15.0%	1,308.6	0.4%	7,330.0	12.1%
1988	5,233.9	16.2%	1,303.6	30.6%	6,537.5	18.8%
1987	4,504.1	16.2%	998.1	15.4%	5,502.2	16.1%
1986	3,875.0	14.7%	865.1	23.8%	4,740.1	16.2%
1985	3,378.7	13.3%	698.9	17.2%	4,077.6	13.9%
1984	2,982.4	11.6%	596.4	9.2%	3,578.8	11.2%
1983	2,671.3	17.7%	546.3	8.2%	3,217.6	16.0%
1982	2,268.7	21.3%	505.0	7.7%	2,773.7	18.6%
1981	1,870.4	20.7%	469.1	9.7%	2,339.5	18.4%
1980	1,549.2	16.7%	427.5	42.8%	1,976.7	21.5%
1979	1,327.4	13.8%	299.4	25.9%	1,626.8	15.9%
1978	1,166.1	9.7%	237.9	11.6%	1,404.0	10.0%
1977	1,063.0	8.1%	213.1	18.2%	1,276.1	9.7%
1976	983.4	8.8%	180.3	14.1%	1,163.7	9.6%
1975	903.5	13.9%	158.0	7.0%	1,061.5	12.8%
1974	793.1	12.0%	147.7	26.3%	940.8	14.0%
1973	708.1	8.1%	116.9	64.0%	825.0	13.6%
1972	654.8	4.5%	71.3	24.9%	726.1	6.2%
1971	626.7	10.7%	57.1	9.2%	683.8	10.6%
1970	566.2	—	52.3	—	618.5	—

* Estimated

** R&D Abroad affected by merger and acquisition activity.

Note: Data for 1996, 1997 and 1998 revised as of 6/98 from previously published data. R&D expenditures for ethical pharmaceuticals only. Domestic U.S. R&D includes expenditures within the United States by research-based pharmaceutical companies. R&D Abroad includes expenditures outside the United States by U.S.-owned research-based pharmaceutical companies. Numbers may not add exactly due to rounding.

Source: Pharmaceutical Research and Manufacturers of America, PhRMA Annual Survey, 1998.

APPENDIX C

R&D as a Percent of U.S. Sales, Ethical Pharmaceuticals, Research-based Pharmaceutical Companies, 1970-1998

Year	Company-financed Domestic U.S. R&D ($mil.)	Domestic U.S. Sales ($mil.)	U.S. Exports ($mil.)	R&D as a % of Sales + Exports
*1998	17,157.7	81,289.2	4,462.0	20.0%
*1997	15,422.0	71,761.9	4,025.9	20.3%
1996	13,576.4	64,741.4	3,794.4	19.8%
1995	11,833.9	57,145.5	3,993.3	19.4%
1994	11,100.8	50,740.4	3,606.1	20.4%
1993	10,473.0	48,590.9	3,982.7	19.9%
1992	9,309.1	48,095.5	4,042.7	17.9%
1991	7,923.6	44,304.5	3,523.5	16.6%
1990	6,800.1	38,486.7	3,420.6	16.2%
1989	6,019.3	32,706.6	3,145.8	16.8%
1988	5,228.7	28,582.6	2,696.2	16.7%
1987	4,503.2	25,879.1	2,013.3	16.1%
1986	3,870.9	23,658.8	2,044.2	15.1%
1985	3,370.7	20,742.5	1,556.9	15.1%
1984	2,976.4	19,026.1	1,340.8	14.6%
1983	2,663.1	16,805.0	1,335.7	14.7%
1982	2,265.6	14,743.9	1,446.3	14.0%
1981	1,866.2	12,665.0	1,393.8	13.3%
1980	1,544.1	11,788.6	1,219.3	11.9%
1979	1,319.8	10,651.3	1,154.8	11.2%
1978	1,159.1	9,580.5	1,064.7	10.9%
1977	1,053.0	8,550.4	947.6	11.1%
1976	973.6	7,951.0	894.8	11.0%
1975	894.5	7,135.7	753.7	11.3%
1974	784.5	6,470.4	734.0	10.9%
1973	697.5	5,686.5	565.6	11.2%
1972	648.0	5,210.1	377.9	11.6%
1971	619.6	5,144.9	382.4	11.2%
1970	558.6	4,552.5	344.1	11.4%

* estimated

Notes:
1. R&D figures for 1996, 1997 and 1998 revised as of 6/98 from previously published data.
2. Ethical pharmaceuticals only. R&D Basis: Intramural and extramural company-financed Domestic U.S. R&D expenditures for human-use and veterinary-use pharmaceuticals.
3. Sales Basis: Reporting basis is net domestic U.S. Sales plus U.S. Exports (includes exports to other firms as well as intrafirm exports.

Source: Pharmaceutical Research and Manufacturers of America, PhRMA Annual Survey, 1998.

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BRIEF OF THE PATENT, TRADEMARK & COPYRIGHT SECTION OF THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA AS *AMICUS CURIÆ* IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether summary review on appeal under 35 U.S.C. § 141 to the Federal Circuit of a **specific type** of decision by the Patent and Trademark Office—i.e., a patentability determination that is governed by the patentability standard required by Article I, Section 8, Clause 8 of the Constitution—should be based on (1) the "clear error" standard of review specifically established from over a century of review of patentability decisions by Article III courts, and which requires review based on *the court's reasoning*, or (2) standards of review found in Section 10(e) of the Administrative Procedure Act (APA), e.g., the "substantial evidence" or the "arbitrary and capricious" standard, that were developed generally for review of administrative decisions, and which require review based on *the agency's reasoning*.

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BRIEF OF THE PATENT, TRADEMARK & COPYRIGHT SECTION OF THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA AS *AMICUS CURIÆ* IN SUPPORT OF RESPONDENTS

THE INTEREST OF *AMICUS CURIÆ*[1]

The Bar Association of the District of Columbia ("BADC") is a non-profit organization with voluntary membership. Membership is not restricted to any segment of

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[1] This brief *amicus curiæ* is presented by the Bar Association of the District of Columbia under Rule 37.3 of this Court. Letters of consent from the parties are filed herewith. No counsel for a party authored any part of this brief. Only *amicus curiæ* made a monetary contribution to the preparation and submission of this brief; counsel for *amicus curiæ* prepared this brief on a pro bono basis.

the profession and, thus, the members and their clients represent widely diverging interests and views. Members include attorneys in private practice as well as those employed by corporations and those in government.

The Patent, Trademark & Copyright Section of the BADC includes members of the bar regularly practicing in and interested in patent law. Members frequently represent patent applicants, patent owners, and accused patent infringers in various matters, including those before the United States Patent and Trademark Office ("the PTO") and the Federal Circuit. Members are thus concerned with PTO procedures and standards applied in determining the patentability of a claimed invention, and of those applied by the Federal Circuit when reviewing those determinations.

The BADC has no stake in either the parties or the result of this case, other than an interest in seeking correct and consistent interpretation of intellectual property law.

STATEMENT

This case involves a direct appeal to the Federal Circuit under 35 U.S.C. § 141 for summary review on the record of a decision by the Patent and Trademark Office ("PTO")[2] that a claimed invention was unpatentable as being obvious in view of the prior art under 35 U.S.C. § 103. The Federal Circuit reversed the PTO's decision, applying the "clearly erroneous" standard of review.[3] The PTO sought *en banc* review, which was granted, on the issue whether a more deferential standard under the Administrative

[2] For simplicity's sake, this brief will use the term "PTO" even though that agency was named the "Patent Office" until 1975, when Congress changed the name to the "Patent and Trademark Office." *See* Act of January 2, 1975, Pub. L. No. 93-596, § 1, 88 Stat. 1949.

[3] Pet. App. at 32a.

Procedure Act ("APA")—either the "substantial evidence" or the "arbitrary and capricious" standard—is required when reviewing PTO patentability determinations.

Noting that the standard of review controlled the outcome of the case,[4] the Federal Circuit characterized the three standards at issue as requiring the court to accept the factual findings underlying the PTO's patentability determination if:

- under the APA's *substantial evidence* standard, the findings "are supported by probative evidence of a substantial nature";[5]
- under the APA's *arbitrary and capricious* standard, the findings "were made upon consideration of the proper factors";[6] or
- under the *clear error* standard, the court "lack[s] a definite and firm conviction that a mistake has been made."[7]

The Federal Circuit characterized the principal difference between the standards at issue to be that the APA standards "require that we review [PTO] decisions on their own reasoning," but the clear error standard "requires us to review [PTO] decisions on our reasoning."[8] The Federal Circuit reviewed the history of the APA and court review of PTO patentability determinations, then ruled that it would adhere to the established clear error standard.[9]

[4] Pet. App. at 2a.

[5] Pet. App. at 3a (referring to 5 U.S.C. § 706(2)(E)) .

[6] Pet. App. at 3a (referring to 5 U.S.C. § 706(2)(A)).

[7] Pet. App. at 3a (citing *In re Kemps*, 97 F.3d 1427, 1430 (Fed. Cir. 1996)).

[8] Pet. App. at 3a.

[9] Pet. App. at 27a.

Thus, this case involves the standard of review to apply to a **specific type** of PTO decision: a determination by the PTO whether a claimed invention is patentable (e.g., the determination by the PTO in this case that the claimed invention is not patentable because it was obvious). This case does not involve other types of PTO decisions, which are reviewed under APA standards.[10] Specifically, the issue here is whether *patentability determinations* by the PTO are subject to (1) the established "clear error" standard of review or (2) an APA "substantial evidence" or "arbitrary and capricious" standard of review. These standards are similar in that, unlike *de novo* review in which *no deference* is given to the agency's decision, the APA and clear error standards entail some deference to the agency's findings of fact,[11] such as deference to the agency's technical expertise. The acknowledged distinction between these standards is that (1) the clear error standard requires a court to review an agency's decision based on *the court's reasoning* and (2) the APA standards require a court to review an agency's decision based on *the agency's reasoning*.[12]

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[10] *See, e.g., Ray v. Lehman*, 55 F.3d 606, 608 (Fed. Cir. 1995) (decision not to reinstate patent for failure to pay maintenance fee reviewed under APA's abuse of discretion standard); *Morganroth v. Quigg*, 885 F.2d 843, 846 (Fed. Cir. 1989) (decision not to revive patent application reviewed under APA's arbitrary, capricious, abuse of discretion standard); *Heinemann v. United States*, 796 F.2d 451, 453-54 (Fed. Cir. 1986) (decision to award patent to United States rather than employee reviewed under APA's arbitrary, capricious, abuse of discretion standards).

[11] *See, e.g.*, Fed. R. Civ. P. 52(a) (clear error review of district court's findings of fact with "due regard" to its opportunity to judge witness credibility).

[12] *See* Pet. App. at 3a; Pet. Br. at 38-39.

SUMMARY OF ARGUMENT

Unlike other types of PTO decisions, patentability determinations are—and always have been—subject to the constitutional standard of Article I, Section 8, Clause 8 of the Constitution that patents be granted "[t]o promote the Progress of . . . useful Arts." In each case, the constitutional standard is applied to underlying facts—often termed "constitutional facts"—to which Article III courts traditionally give special consideration and some degree of independent review.

It is within the exclusive province of Article III courts to determine the standard of review—i.e., the degree of independent review—necessary to safeguard the constitutional standard at issue—neither Congress nor agencies can supplant the courts' responsibility in this regard. Thus, for over a century, Article III courts have applied closely related standards—e.g., "manifest error" and "clear error"—for summary review of PTO patentability determinations, culminating in the clear error standard reaffirmed by the Federal Circuit in its decision below. Under clear error review, Article III courts maintain some degree of independent review and control in demarcating the constitutional patentability standard by applying the court's own reasoning to the record developed in the PTO, with due deference to the PTO's technical expertise.

It would be improper and imprudent to alter now this settled precedent. Therefore, *amicus curiæ* respectfully requests that this Court affirm the Federal Circuit's *en banc* decision that PTO patentability determinations are subject to the clear error standard of review in which the reviewing court applies its own reasoning, rather than being limited to the agency's reasoning regarding this constitutional standard.

ARGUMENT

I. It is Within the Province of Article III Courts to Establish the Standard for Reviewing PTO Patentability Determinations—A Constitutional Standard Applied to Constitutional Facts

A. Patentability Determinations are Governed by a Constitutional Standard

The Constitution provides the basis for our patent system, stating that "The Congress shall have Power . . . To promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries."[13] This Court has emphasized that patentability is governed by this constitutional standard—i.e., that patents be granted "[t]o promote the Progress of . . . useful Arts"—stating

> The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must 'promote the Progress of * * * useful Arts.' This is the standard expressed in the Constitution and it may

[13] U.S. Const. art. I, § 8, cl. 8.

> not be ignored. And it is in this light that patent validity 'requires reference to a standard written into the Constitution.'[14]

Based on this provision, Congress has enacted and revised legislation to govern the patent system, starting with the Patent Act of 1790 and continuing with the most recent revision in 1952. Prior to the Patent Act of 1952, the sole *statutory* conditions of patentability were the requirements of novelty and utility.[15] But the courts also developed additional conditions of patentability,[16] including this Court's early decision in *Hotchkiss v. Greenwood*[17] that an invention must evidence "more ingenuity and skill . . . than were possessed by an ordinary mechanic acquainted with the business." The 1952 Act codified the patentability condition pronounced in *Hotchkiss* as the nonobviousness inquiry of 35 U.S.C. § 103,[18] as well as re-codifying the utility and

[14] *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966) (quoting *Great A. & P. Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 154 (1950) (concurring opinion) ("It is worth emphasis that every patent case involving validity presents a question which requires reference to a standard written into the Constitution.")); *see also, Anderson's-Black Rock, Inc. y. Pavement Salvage Co.*, 396 U.S. 57, 61 (1969) ("The patent standard is basically constitutional, Article I, s 8, of the Constitution authorizing Congress '(T) o promote the Progress of * * * useful Arts' by allowing inventors monopolies for limited times.") .

[15] *Graham*, 383 U.S. at 3.

[16] *See Graham*, 383 U.S. at 10.

[17] 52 U.S. 248, 267 (1850).

[18] *Graham*, 383 U.S. at 15, 17 ("[T]his section was, for the first time, a statutory expression of an additional requirement for patentability, originally expressed in *Hotchkiss*."). The codification of the *Hotchkiss* standard is evident in the following portion of § 103:

> A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are

novelty patentability conditions in § 101 and § 102, respectively.[19]

This Court first reviewed the 1952 codification of the patentability conditions in *Graham v. John Deere Co.*[20] In *Graham*, the Court rejected suggestions that § 103 loosened the requirements of patentability, stating that Congress merely codified judicial precedent and that "[t]he standard has remained invariable in this Court."[21] Thus, Congress may statutorily express conditions of patentability "within the scope established by the Constitution," and the PTO and the courts must apply the patent statutes "to give effect to the constitutional standard."[22]

B. Patentability Determinations Involve "Constitutional Facts"

As with any legal standard, the constitutional patentability standard is applied to the facts underlying each case. For example, the *Graham* Court instructed that the § 103 nonobviousness condition for patentability "lends itself to several basic factual inquiries" and the Court delineated some of those facts.[23] It is established law that

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such that the subject matter as a whole would have been obvious at the time the invention was made to a person of ordinary skill in the art to which said subject matter pertains.

[19] *Graham*, 383 U.S. at 12.

[20] 383 U.S. 1 (1966).

[21] *Graham*, 383 U.S. at 17, 19.

[22] *Graham*, 383 U.S. at 6.

[23] *Graham*, 383 U.S. at 17-18. The Court set forth the following factual inquiries underlying the nonobviousness condition for patentability:

such factual inquiries underlying the application of a constitutional standard—often termed "constitutional facts"—require some degree of independent review by Article III courts, and that it is within the exclusive province of the courts to determine what that degree of independence should be.[24]

Thus, in *Crowell v. Benson*,[25] this Court held that a court must independently determine certain questions of fact when reviewing an agency's determination under the Longshoremen's and Harbor Workers' Compensation Act, because such determinations are subject to the constitutional limits of admiralty and maritime jurisdiction. The *Crowell* Court explained:

> In cases brought to enforce constitutional rights, the judicial power of the United States necessarily extends to the independent determination of all questions, both of fact and law, necessary to the performance of that supreme function. The case of confiscation is illustrative, the ultimate conclusion almost invariably depending upon the

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Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquires may have relevancy.

[24] *See* Henry P. Monaghan, *Constitutional Fact Review*, 85 Colum. L. Rev. 229 (1985).

[25] 285 U.S. 22 (1932).

> decisions of questions of fact. This court has held the owner to be entitled to 'a fair opportunity for submitting that issue to a judicial tribunal for determination upon its own independent judgment as to both law and facts.'[26]

In *St. Joseph Stock Yards Co. v. United States*,[27] this Court similarly required independent review of facts to determine whether rates set by an agency under the Packers and Stockyards Act were in accord with the constitutional Due Process and Takings standards. This Court ruled that

> Legislative declaration of finding is necessarily subject to independent judicial review upon the facts and the law by courts of competent jurisdiction to the end that the Constitution as the supreme law of the land may be maintained.[28]

Congress cannot avoid this independent review by authorizing agents to make the findings, because the judicial power cannot be "circumscribed by any legislative arrangement designed to give effect to administrative action going beyond the limits of constitutional authority."[29]

The concept of some degree of independent review of "constitutional facts" has been applied in other constitutional contexts as well, including Due Process under the Fourteenth

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[26] 285 U.S. at 60 (quoting *Ohio Valley Water Co. v. Ben Avon Borough*, 253 U.S. 287 (1920)). *See also, Ng Fung Ho v. White*, 259 U.S. 276, 284-85 (1922) (constitutional due process requires independent judicial review of law and facts regarding question of citizenship prior to deportation, notwithstanding prior agency determination of the issue).

[27] 298 U.S. 38, 49-54 (1936).

[28] 298 U.S. at 51-52.

[29] *St. Joseph*, 298 U.S. at 52.

Amendment;[30] Double Jeopardy and Privilege Against Self-Incrimination under the Fifth Amendment;[31] Duties on Imports and Exports under Article I, Section 10, Clause 2 of the Constitution;[32] and First Amendment[33] standards.

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[30] *See, e.g., Haynes v. Washington*, 373 U.S. 503, 515 (1963) ("It is well settled that the duty of constitutional adjudication resting upon this Court requires that the question whether the Due Process Clause of the Fourteenth Amendment has been violated by admission into evidence of a coerced confession be the subject of an independent determination here."); *Ohio Valley Water Co. v. Ben Avon Borough* , 253 U.S. 287, 289 (1920) (in Due Process challenge to state agency's setting rates, issue must be submitted to judicial tribunal to decide "upon its own independent judgment as to both law and facts."); *Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 689 (1923) (There is "independent judgment of the court as to both law and facts" in determining whether state agency setting of rates was confiscatory.).

[31] *See, e.g., Thompson v. Keohane*, 516 U.S. 99, 116 (1995) (state "in-custody" determinations require independent review by a federal habeas court); *Turner v. Arkansas*, 407 U.S. 366, 368 (1972) ("Collateral estoppel is part of the Fifth Amendment's double jeopardy guarantee, and it is 'a matter of constitutional fact (this Court) must decide through an examination of the entire record.'") (quoting *Ashe v. Swenson*, 397 U.S. 436, 443 (1970)).

[32] *See, e.g., Hooven & Allison Co. v. Evatt*, 324 U.S. 652, 659 (1945) (In reviewing state tax on imports under Article I, Section 10, Clause 2 of the Constitution, "we are free to reexamine the facts as well as the law.").

[33] *See, e.g., Rankin v. McPherson*, 483 U.S. 378, 386 n.8 (1987) ("[A]ny factual findings subsumed in the 'public concern' determination are subject to constitutional fact review"); *Connick v. Myers*, 461 U.S. 138, 150 n.10 (1983) ("[W]e cannot 'avoid making an independent constitutional judgment on the facts of the case.'") (quoting *Jacobellis v. Ohio*, 378 U.S. 184, 190 (1964)); *Pennekamp v. Florida*, 328 U.S. 331, 335 (1946) ("The Constitution has imposed upon this Court final authority to determine the meaning and application of those words of that instrument which require interpretation to resolve judicial issues. With that responsibility, we are compelled to examine for ourselves the statements in issue and the circumstances in which they were made . . .");

C. Article III Courts Have Properly Established Clear Error as the Standard for Reviewing PTO Patentability Determinations

Based on the foregoing, it is evident that patentability determinations by the PTO involve application of a constitutional standard to constitutional facts. As such, it is the sole responsibility and authority of Article III courts to determine what standard of review is necessary to safeguard the constitutional standard at issue[34]—neither Congress nor the PTO can supplant this responsibility of the courts.[35]

This Court's precedent on "constitutional facts" provides some guidance on what standard of review would be appropriate in this case, and warrants sustaining the established clear error standard for reviewing the PTO's patentability determinations. For example, patentability determinations do not involve a constitutional right *per se*—the Constitution does not guarantee a right to have a

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Bose Corp. v. Consumers Union of United States, Inc., 466 U.S. 485, 514 (1984) ("[W]e reaffirm the principle of independent appellate review that we have applied uncounted times before."); *Rosenbloom v. Metromedia, Inc.*, 403 U.S. 29, 54 (1971) ("The simple fact is that First Amendment questions of 'constitutional fact' compel this Court's de novo review.").

[34] *See Miller v. Fenton*, 474 U.S. 104, 114 (1985) ("[T]he fact/law distinction at times has turned on a determination that, as a matter of the sound administration of justice, one judicial actor is better positioned than another to decide the issue in question.").

[35] *See St. Joseph*, 298 U.S. at 52 (neither Congress nor an agency can circumscribe judicial power in reviewing constitutional standards); *Bose*, 466 U.S. at 514 ("We hold that the clearly-erroneous standard of Rule 52(a) . . . does not prescribe the standard of review to be applied in reviewing a determination of actual malice . . . [a]ppellate judges in such a case must exercise independent judgment.").

patent[36]—so *de novo* review with no deference is not necessary here.

But this Court has recognized that some degree of independent review of cases implicating a constitutional standard is necessary to ensure not only proper application of the standard in the instant case, but to ensure continued development and precedential demarcation of the standard to govern future conduct.[37] When a constitutional standard is involved, "this Court's role in marking out the limits of the standard through the process of case-by-case adjudication is of special importance."[38] And in some areas of law "the stakes—in terms of impact on future cases and future

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[36] The concept of an inventor's "natural right" to his discovery is not embodied in the Constitution. In *Graham*, 383 U.S. at 8-9, this Court explained

> [Thomas Jefferson] rejected a natural-rights theory in intellectual property rights and clearly recognized the social and economic rationale of the patent system. The patent monopoly was not designed to secure to the inventor his natural right in his discoveries. Rather, it was a reward, an inducement, to bring forth new discoveries.

[37] *See Thompson v. Keohane*, 516 U.S. 99, 114 n.14 and 115 (1995) (Stating that "the likely absence of precedential value cuts against requiring plenary appellate review" in some cases, but in the case of "in custody" determinations "the law declaration aspect of independent review potentially may guide police, unify precedent, and stabilize the law."); *cf.*, *Container Corp. of America v. Franchise Tax Bd.*, 463 U.S. 159, 176 (1983) (would apply a "realm of permissible judgment" rather than *de novo* review of facts underlying "unitary business" standard for state apportionment of taxes under Due Process and Commerce Clauses, because the standard is "now well established" and *de novo* review "will do the cause of legal certainty little good.") (applying the "realm of permissible judgment" standard set forth in *Norton Co. v. Dept. of Revenue*, 340 U.S. 534, 538 (1951)).

[38] *Bose*, 466 U.S. at 503.

conduct—are too great to entrust them finally to the judgment of the trier of fact."[39]

This Court has identified patentability determinations as a particular area of law requiring a case-by-case demarcation of the constitutional standard. In *Graham*, this Court's § 103 obviousness discussion concluded:

> This is not to say, however, that there will not be difficulties in applying the nonobviousness test. What is obvious is not a question upon which there is likely to be uniformity of thought in every given factual context. The difficulties, however, are comparable to those encountered daily by the courts in such frames of reference as negligence and scienter, and should be amenable to a case-by-case development. We believe that strict observance of the requirements laid down here will result in that uniformity and definiteness which Congress called for in the 1952 Act.[40]

Similarly, Congress has recognized the need for uniform judicial development of the patentability standard, leading to the Federal Courts Improvement Act of 1982[41] that created the Federal Circuit to hear all appeals of patent-related cases. Congress determined that a centralized national court with exclusive appellate jurisdiction over patent-related cases was necessary "for ensuring a more uniform interpretation of the patent laws and thus contributing meaningfully and positively to predicting the

[39] *Bose*, 466 U.S. at 501 n.17.

[40] *Graham*, 383 U.S. at 18.

[41] Federal Courts Improvement Act, Pub. L. No. 97-164, 96 Stat. 25 (1982) (merged the Court of Customs and Patent Appeals and the United States Court of Claims to create the United States Court of Appeals for the Federal Circuit.).

strength of patents."[42] Thus, Congress specifically created the Federal Circuit to provide "a forum that will increase the doctrinal stability in the field of patent law," stating:

> [T]he Hruska Commission singled out patent law as an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. Furthermore, . . . the patent bar indicated that uncertainty created by the lack of national law precedent was a significant problem. . . . The creation of . . . the Federal Circuit will produce desirable uniformity in this area of the law.[43]

In summary, patentability determinations do not implicate fundamental constitutional rights *per se* so as to require completely independent review. However, the universally recognized need for case-by-case development of judicial precedent to demarcate the constitutional standard at least warrants Article III court review of PTO patentability determinations in which the court applies *its own reasoning*, as in clear error review, rather than being limited to the agency's reasoning, as in the APA standards at issue here. This allows the courts to set forth and guide the reasoning to be used when applying the constitutional patentability standard, while giving due deference to the PTO's technical expertise. As discussed in the following section, this is just the type of review already established by Article III courts.

[42] *Hearings on H.R. 6033, H.R. 6934, H.R. 3806 and H.R. 2414, Before the Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the House Comm. on the Judiciary*, 96th Cong., 2d Sess. 797 (1980).

[43] S. Rep. No. 97-275 (1982), *reprinted in* 1982 U.S.C.C.A.N. 15.

II. *Stare Decisis* Counsels Against Disturbing the Established Standard for Reviewing PTO Patentability Determinations

Since 1839, PTO patentability determinations—both before and after enactment of the APA in 1946—have been subject to review by Article III courts applying standards closely related to the "clear error" standard reaffirmed in the Federal Circuit's decision below. *Stare decisis* counsels this Court to affirm this established precedent.

A. Pre-APA Review

In 1836, there were two routes of review when the Commissioner of Patents rejected a patent application: (1) direct appeal on the record to a Board of Examiners and (2) filing a bill in equity in a federal district court, which was limited to review of PTO decisions in interference proceedings and which allowed introduction of additional evidence.[44] In 1839, direct appeal to the Board of Examiners was replaced with direct appeal to the chief justice of the District Court for the District of Columbia,[45] an Article III court.[46] Since this time, direct appeal or ultimate review of PTO patentability decisions has been to Article III courts. In 1852, direct appeal to the chief justice of the District Court

[44] Act of July 4, 1836, ch. 357, § 7, 5 Stat. 120; *see Hoover Co. v. Coe*, 325 U.S. 79, 84 n.7 (1945).

[45] Act of Mar. 3, 1839, § 11, 5 Stat. 354; *see Hoover*, 325 U.S. at 85 n.11.

[46] *See O'Donoghue v. United States*, 289 U.S. 516, 547-548 (1933) (Congress created the District Court for the District of Columbia under Article III.); Act of Feb. 27, 1801, ch. 15, 2 Stat. 103 and Act of Apr. 29, 1802, ch. 31 § 24, 1 Stat. 166. (establishing the District Court for the District of Columbia).

was extended to the two assistant judges of the Circuit Court for the District of Columbia.[47]

In 1863, direct appeal was transferred to the Supreme Court for the District of Columbia, an Article III court.[48] In 1870, the Supreme Court for the District of Columbia would entertain direct appeal by sitting *en banc* and the decision would "govern the further proceedings in the case."[49] The relevant statute was construed to require appeal to the Supreme Court of the District of Columbia as a condition precedent to filing a bill of equity in a district court.[50]

In 1893, direct appeal was transferred to the Court of Appeals for the District of Columbia, an Article III court.[51] The standard of review applied by the Court of Appeals was similar to the clear error standard at issue here: the court would not reverse the PTO's decision "except in a very clear case,"[52] requiring the applicant to make out a "very clear case of invention."[53]

[47] Act of Aug. 30, 1852, § 1, ch. 107, 10 Stat. 75; *See Hoover*, 325 U.S. at 85 n.12.

[48] Act of Mar. 3, 1863, ch. 91, § 1, 12 Stat. 762-63; *id.*, ch. 15, § 3, 12 Stat. 103, 105; *see O'Donoghue*, 289 U.S. at 548. In 1901, Congress vested the Supreme Court for the District of Columbia with the same jurisdiction as the Circuit and District courts. Act of Mar. 3, 1901, ch. 854, § 61, 31 Stat. 1199.

[49] Act of July 8, 1870, ch. 230, §§ 48, 50, 16 Stat. 205; *see In re Hoeveler and McTighe*, 21 D.C. 107 (1892); *In re Chinnock's Appeal*, 21 D.C. 594 (1893); *Hoover*, 325 U.S. at 85-86.

[50] *See Hoover*, 325 U.S. at 86.

[51] Act of Feb. 9, 1893, ch. 74, § 9, 27 Stat. 436; *see also O'Donoghue*, 289 U.S. at 548.

[52] *In re Barratt*, 11 App. D.C. 177, 179 (1897).

[53] *In re Smith's Appeal*, 14 App. D.C. 181, 185 (1899).

In 1894, this Court in *Morgan v. Daniels*[54] reviewed a PTO interference decision that had been appealed via bill of equity to a district court. The *Morgan* Court likewise articulated a standard of review similar to the clear error standard at issue here: the PTO's factual findings "must be accepted as controlling" unless the court has a "thorough conviction" that the contrary is established.[55]

Although *Morgan* does not concern the direct appeal route *per se*, it is significant because it occurred at a time when the two routes of review-—bill of equity and direct appeal—were cumulative, rather than alternative, and review of PTO decisions could be sought by bill of equity in a district court even though a direct appeal had been obtained in the Court of Appeals.[56] It was not until 1927 that Congress made the two routes of review alternative.[57] Thus, prior to 1927, the *Morgan* "clear error" type review was ultimately available in an Article III court for review of any PTO decision. However, after 1927, review of PTO decisions via direct appeal was subject only to the standard of review applied by the appellate courts to which the subsequent statutory schemes routed direct review: the Court of Appeals for the District of Columbia, the Court of Customs and Patent Appeals, and the Federal Circuit, all of which applied clear error or similar standards of review, as discussed *infra*.

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[54] 153 U.S. 120 (1894).

[55] *Morgan*, 153 U.S. at 125.

[56] *See Glidden Co. v. Zdanok*, 370 U.S. 530, 577 (1962); *Hoover*, 325 U.S. at 85. At this time, direct appeal to the Court of Appeals was treated as a continuation of the administrative process, and the Court of Appeals' decision itself was considered "a mere administrative decision." *Glidden*, 370 U.S. at 577.

[57] Act of Mar. 2, 1927, ch.273, § 11, 44 Stat. 1335, 1336; *see Glidden*, 370 U.S. at 577.

In 1929, Congress transferred jurisdiction of direct appeals of PTO decisions from the Court of Appeals for the District of Columbia to the Court of Customs Appeals, renamed the Court of Customs and Patent Appeals ("the CCPA"), an Article III court.[58] CCPA decisions affirmed PTO patentability decisions unless they were "manifestly wrong"[59] or "clearly erroneous."[60]

B. The 1946 Enactment of the APA

In 1946, Congress enacted the Administrative Procedure Act to establish closer judicial supervision over administrative agencies that had been established during the New Deal era of the 1930s and 1940s. The New Deal approach to government produced a multitude of largely uncoordinated ventures which resulted in political initiatives focusing on suspect decision-making procedures of the new agencies.[61] During consideration of the APA, individual reports were prepared for every agency except the PTO and a

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[58] Act of Mar. 2, 1929, c. 488, §§ 1, 2, 45 Stat. 1475; *see Brenner v. Manson*, 383 U.S. 519, 525 n.8 (1966); *Glidden*, 370 U.S. at 584 (the CCPA was created as an Article III court); *see also*, 28 U.S.C. § 211 (1964) (affirming that the CCPA is an Article III court).

[59] *See, e.g., In re Adamson*, 92 F.2d 717 (C.C.P.A. 1937); *In re Anhaltzer*, 48 F.2d 657, 658 (C.C.P.A. 1931); *In re Demarest*, 38 F.2d 895, 896 (C.C.P.A. 1930). The 1937 edition of the leading patent law treatise of the time explained that review of PTO patentability decisions required affirmance unless there was "palpable and manifest error." A.W. Deller, 2 *Walker on Patents* § 212 (Deller's Ed. 1937).

[60] *See, e.g., In re Wietzel*, 39 F.2d 669, 671 (C.C.P.A. 1930) (upon "careful study," CCPA determined that the PTO decision was not "clearly erroneous."); *In re Hornsey*, 48 F.2d 911, 912 (C.C.P.A. 1931) (PTO decisions are not reversed unless "it is clear that they are erroneous.").

[61] Robert L. Rabin, *Federal Regulation In Historical Perspective*, 38 Stan. L. Rev. 1189, 1263-64 (1986).

few other agencies "affected by special circumstances."[62] The Committee on Administrative Procedure stated that it did not prepare staff reports for the PTO due to its "highly specialized character" and the "insufficiency of the Committee's staff."[63]

At this time, judicial oversight of the PTO's patentability determinations had been well established for over a century. Thus, the PTO was not one of the just-emerging New Deal agencies that prompted the APA. It is doubtful that Congress intended the APA to supplant the established standard for reviewing PTO patentability determinations, especially given Congress's admonition in the APA itself that "[n]othing in this Act shall be held to diminish constitutional rights of any person or to limit or repeal additional requirements imposed by statute or otherwise recognized by law."[64] Moreover, Congress would not have the authority to "limit" or "repeal" established court review of PTO patentability determinations in the first instance, as discussed *supra* regarding the province of Article III courts to establish the standard for reviewing constitutional facts.

C. Post-APA Review

After the APA was enacted, the CCPA continued reviewing PTO patentability determinations under the related

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[62] S. Doc. No. 8, 77th Cong., 1st Sess. at 4 n.2 (1941).

[63] *Id.*

[64] Administrative Procedure Act, § 12, ch. 324, 60 Stat. 244 (1946). The Attorney General, who was instrumental in developing the APA, specifically noted that this Congressional admonition "is intended simply to indicate that the act will be interpreted as *supplementing* Constitutional and legal requirements imposed by existing law." Attorney General's Manual on the Administrative Procedure Act at 139 (1947) (emphasis added).

standards of "manifest error" and "clear error,"[65] applying its own reasoning to the underlying facts. For example, in its 1950 decision in *In re Barrett*,[66] the CCPA summarized the PTO's interpretation of two prior art references and "disagreed" with the PTO on "several matters of fact."[67] The court re-interpreted the teachings of the prior art using its own reasoning and ruled that the PTO's interpretation was "in error."[68]

In 1976, this Court in *Dann v. Johnston*[69] reviewed a patentability decision on direct appeal to the CCPA from the PTO that the CCPA had reversed under the clear error standard.[70] After extensive review of the claimed invention and prior art, this Court concluded that the claimed invention was unpatentable as being obvious.[71] The Court did not label the standard that it applied, but the substance, character and tenor of this Court's review comports with a clear error standard—i.e., the Court applied its own reasoning to the PTO's factual findings. For example, the Court "noted" facts considered by the PTO,[72] and prefaced the reasoning

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[65] *See, e.g., In re Pollack*, 175 F.2d 587, 590 (C.C.P.A. 1949) ("We find no manifest error" in the PTO's decision.).

[66] 182 F.2d 626 (C.C.P.A. 1950).

[67] *Barrett*, 182 F.2d at 631.

[68] *Id.* at 632.

[69] 425 U.S. 219 (1976).

[70] *See Application of Johnston*, 502 F.2d 765, 772 (C.C.P.A. 1974) (Markey, C.J., dissenting) ("I find no clear error on the part of the board in its rejection of the appealed claims under 35 U.S.C. 103. In the absence of such clear error we must, and I would, affirm the decision of the board.").

[71] *Dann*, 425 U.S. at 220.

[72] *See e.g., Dann*, 425 U.S. at 226-27 ("*As noted*, the [PTO] relied on two elements in the prior art . . .") (emphasis added); *id.* at 227 ("Indeed,

that the Court applied to the underlying facts with the words "we think".[73]

In 1982, Congress established the Federal Circuit to ensure uniform and predictable judicial interpretation of the patent laws.[74] Since its early beginnings, the Federal Circuit heeded this mandate for stabilizing the patent laws by consistently reviewing PTO patentability decisions under the clear error standard applied by its predecessors.[75]

D. It Would Be Imprudent to Change Course Now

Notwithstanding the long-standing application of clear error and closely related standards to PTO patentability

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as noted by the [PTO], the addition of a category number . . .) (emphasis added); *id.* at 228 ("For, *as noted*, the [PTO] pointed to a second factor . . .) (emphasis added).

[73] *See, e.g., Dann*, 425 U.S. at 229 ("respondent's system would, *we think*, have been obvious . . .") (emphasis added; quotations omitted); *id.* at 227 ("Respondent's 'category code' scheme is, *we think*, closely analogous to . . .) (emphasis added); *id.* at 230 n.4 ("Respondent does not contend *nor can we conclude* that any of these secondary considerations [of nonobviousness] offer any substantial support for his claims of nonobviousness.") (emphasis added).

[74] *Hearings on H.R. 6033, H.R. 6934, H.R. 3806 and H.R. 2414, Before the Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the House Comm. on the Judiciary*, 96th Cong. 797 (1980); *see also*, S. Rep. No. 97-275, at 5 (1982), *reprinted in* 1982 U.S.C.C.A.N. 15, 17 (The Federal Circuit's cases are "unusually" complex, technical and time-consuming, so the court requires a relatively light workload because it is "important" that the court have time for "thorough discussion and deliberation" in view of the broad precedential impact of its decisions.).

[75] *See, e.g., In re De Blauwe*, 736 F.2d 669, 703 (Fed. Cir. 1984); *In re King*, 801 F.2d 1324, 1326 (Fed. Cir. 1986); *In re Woodruff*, 919 F.2d 1575, 1577 (Fed. Cir. 1990); *In re Vaeck*, 947 F.2d 488, 495 (Fed. Cir. 1991); *In re GPAC, Inc.*, 57 F.3d 1573, 1577 (Fed. Cir. 1995); *In re Borden*, 90 F.3d 1570, 1576 (Fed. Cir. 1996); *In re Longi*, 759 F.2d 887, 892 (Fed. Cir. 1985).

determinations, it apparently was not until an appeal decided by the Federal Circuit in 1995—nearly half a century after the APA was enacted—that the issue was raised whether to apply APA standards of review rather than clear error.[76] Thus, as a practical matter, the principles of *stare decisis* counsel against disturbing the established standard of review because "it is more important that the applicable rule of law be settled than that it be settled right . . . even where the error is a matter of serious concern."[77] This Court has given due consideration to the principles of *stare decisis* even when the established precedent arose from lower court decisions, rather than from this Court.[78]

Further, as discussed *supra*, this case involves the application of a constitutional standard to constitutional facts, which requires Article III courts—not statutes—to determine the level of independent judicial review necessary to safeguard the constitutional standard. Therefore, this Court should affirm the application of clear error review of PTO patentability decisions, as properly developed by Article III courts and reaffirmed in the Federal Circuit's decision below.

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[76] *In re Brana*, 51 F.3d 1560, 1568-69 (Fed. Cir. 1995).

[77] *Square D. Co. v. Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409, 424 (1986); *see also Patterson v. McLean Credit Union*, 491 U.S. 164, 172-73 (1989) (*Stare decisis* has "special force in the area of statutory interpretation," which does not involve constitutional interpretation, "and Congress remains free to alter what we have done.").

[78] *See Hubbard v. United States*, 514 U.S. 695, 713 n.13 (1995) (noting the importance of "promoting stability and certainty in the law" through *stare decisis* even though the established precedent was that of the circuit courts, rather than this Court).

CONCLUSION

Amicus curiæ respectfully requests that this Court affirm the Federal Circuit's *en banc* decision that PTO patentability determinations appealed to the Federal Circuit under 35 U.S.C. § 141 are subject to the established clear error review in which the court applies its own reasoning, rather than being limited to the agency's reasoning regarding this constitutional standard.

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In The

Supreme Court of the United States

October Term, 1998

Q. TODD DICKINSON,
Acting Commissioner of
Patents and Trademarks,

Petitioner,

v.

MARY E. ZURKO et al.,

Respondents.

On Writ Of Certiorari To The
United States Court Of Appeals
For The Federal Circuit

BRIEF FOR AMICUS CURIAE BIOTECHNOLOGY INDUSTRY ORGANIZATION IN SUPPORT OF RESPONDENTS

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BRIEF FOR AMICUS CURIAE BIOTECHNOLOGY INDUSTRY ORGANIZATION IN SUPPORT OF RESPONDENTS

The Biotechnology Industry Organization ("BIO") files this amicus brief in the above-entitled and numbered cause, in which this Court granted certiorari on November 2, 1998.[1] BIO has consent of all parties to this action to file this amicus brief. The letters providing such consent accompany this brief.

INTEREST OF AMICUS

The matter before the Court, the standard of review in appeals from the decisions of the United States Patent and Trademark Office, raises fundamental questions affecting the uniformity of judgments in patent law. A strong patent system supported by uniform and predictable judicial outcomes is of profound importance to BIO.

BIO represents over 740 companies, academic institutions, state biotechnology centers and related organizations in 46 states and more than 20 nations, engaged in the development of products and services in the areas of agriculture, biomedicine, biopharmaceuticals, diagnostics, food, energy and environmental applications. BIO's members conduct research and development programs

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[1] Counsel for a party to this action took no part in authoring this brief. In addition, no other person or entity, other than BIO and its members or counsel, contributed monetarily to the preparation or submission of this brief.

primarily directed to the discovery of innovative techniques and products to treat and diagnose diseases and disorders. To date, the biotechnology industry has produced over 50 drugs approved by the Food & Drug Administration ("FDA"); these drugs have been used to treat over 100 million people. The diseases that these drugs treat include AIDS, cancer, diabetes, multiple sclerosis, cystic fibrosis and many other serious maladies. For most of these diseases, no known treatment existed prior to the development of a biotechnology product.

In 1996, our member companies invested 7.9 billion dollars on research and development and on production facilities. The biotechnology industry as a whole invested at nine times the rate of the average of other United States companies. This investment is particularly remarkable when it is realized that, because of their recent inception, only about 5% of our industrial members earn a profit. The patent system plays a fundamental role, therefore, in determining the expected future value of biotechnology products now being developed by our members.

A patent system that rewards innovation is essential for all innovators who seek protection for their discoveries. The biotechnology industry is a relatively nascent industry, with the number of beneficial new products in the research and development stage far outnumbering the actual products which have been placed in commerce. In our industry, a lead time of 10 years from initiation of product development to approval for commercialization by the FDA is typical. At this stage in the development of our emerging industry, patents represent a critically important and tangible benchmark which investors look

to for assurance that their investments in the new products of the future will be adequately protected. Thus, inventors from our industry have a special interest in this issue because incentives to invest in future research and development will be directly influenced by the Court's decision. Accordingly, BIO has a strong interest in ensuring that our nation's patent system provides uniform and predictable judicial outcomes.

BACKGROUND

In the present case, the United States Court of Appeals for the Federal Circuit reversed the decision of the Board of Patent Appeals and Interferences ("the Board") sustaining the Patent office examiner's rejection of Zurko's patent. *In re Zurko*, 111 F.3d 887 (Fed. Cir. 1997). The Commissioner of Patents and Trademarks ("Commissioner") moved for an en banc rehearing of the standard of review issue, which was granted. Upon rehearing, the Federal Circuit, sitting en banc, affirmed the earlier panel opinion. *In re Zurko*, 142 F.3d 1447 (Fed. Cir. 1998). The Commissioner now asks this Court to hold that the more deferential standard of review contained in the Administrative Procedure Act (APA) applies to review of patent decisions, rather than the "clearly erroneous" standard of review employed for over a century.

The Commissioner first made this belated request in 1993, nearly fifty years after the APA was enacted in 1946. *See In re Napier*, 55 F.3d 610 (Fed. Cir. 1993). The Commissioner repeated this request in *In re Leuders*, 111 F.3d 1569 (Fed. Cir. 1997). The Commissioner now invites the Court

to overrule over a century of precedent applying the proper standard of review and, in the process, to act where Congress has chosen not to. The Amicus submits this brief requesting that the Court not accept the Commissioner's invitation.

SUMMARY OF ARGUMENT

This United States Court of Appeals for the Federal Circuit was created for the primary purpose of achieving uniformity in patent law. If the Court accepts the Commissioner's invitation to change the standard of review in patent appeals to the more deferential APA standard, however, the Court will create a risk of inconsistent judgments that presently does not exist. The creation of potential inconsistency in the judgments of a court devised to achieve uniformity makes no logical sense. Instead of changing the standard of review on its own, this Court should defer to Congress to take any such action.

Such action, however, is admittedly unlikely. Congress has made changes in the patent system numerous times, but has not changed the standard of review applicable to patent appeals. Even after the enactment of the APA in 1946, courts continued to apply the clearly erroneous standard. Six years later, Congress made sweeping changes to the patent laws. Yet, even given this opportunity to reconcile what the Commissioner now claims is a conflict between the APA and the clearly erroneous standard, Congress took no action. In fact, Congress has

never taken action in this regard. This inaction demonstrates Congress' approval of the clearly erroneous standard as the applicable standard in patent appeals.

Moreover, this Court should not abandon over a century of legal precedent. The Commissioner has not pointed to a compelling reason for turning a consistent system of appeals on its head. In the absence of such a reason, this Court should not do so.

Finally, even assuming the APA applies to patent appeals, the APA's plain language makes clear that courts may apply a heightened standard of review. Section 559 makes clear that the APA does not limit additional requirements "otherwise recognized by law." The clearly erroneous standard is well-recognized in the law. Thus, the standards set forth in the APA are only minimum standards that do not preclude the imposition of less deferential standards of review by the courts, such as the clearly erroneous standard.

ARGUMENT

I. A Change from the "Clearly Erroneous" Standard of Review to the APA Standard Would Lead to a Lack of Uniformity in Patent Law.

As this Court has made clear, a patent applicant dissatisfied with the decision of the Board of Patent Appeals and Interferences has two avenues of relief: an appeal to the Federal Circuit or an appeal to district court. *Hoover Co. v. Coe*, 325 U.S. 79, 81-83 (1945); *see* 35 U.S.C. §§ 141, 145-46. Under either avenue of appeal, the

standard of review is the same – the decision of the Board is presumptively correct and is reviewed for "clear error." *Conservolite, Inc. v. Widmayer*, 21 F.3d 1098, 1100 (Fed. Cir. 1994); *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985); *Newman v. Quigg*, 681 F. Supp. 16, 22 (D. D.C. 1988), *aff'd*, 877 F.2d 1575 (Fed. Cir. 1989).

If the Court accepts the Commissioner's invitation to change this well-established standard, it will create a risk of incongruous judgments. For example, the Federal Circuit could be presented with review of two rulings on the same patent, one on an appeal from the Board's decision under Section 306 of Title 35, after a re-examination precipitated by one district court, the other on an appeal from another district court. If the Court were to adopt the standard of review for Board decisions urged upon it, the Federal Circuit would be compelled to review district court findings under a heightened, clearly erroneous standard, *see* FED. R. CIV. P. 52(a), while giving more deference to the Board's findings on the same patent. Conceivably, the result would be that, under identical circumstances, the same patent could be held both valid and invalid. The Federal Circuit has recognized this possibility. *In re Leuders*, 111 F.3d 1569, 1577 (Fed. Cir. 1997).

The Federal Circuit has also rightly recognized that a difference in result depending on the appellate route taken makes no logical sense. *Fregeau*, 776 F.2d at 1038. "Moreover, a difference in result in this court is not logically justifiable, if the evidentiary record before the district court is the same as that before the board, simply because of the review route chosen." *Id.*

Differences in result based on the appellate route taken would fly in the face of Congress' intent in creating the Federal Circuit. In *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1573-74 (Fed. Cir. 1984), the court quoted at length the Congressional intent underlying the Federal Courts Improvement Act of 1982, which created the Federal Circuit, noting the purpose of the Act was to provide:

> [A] forum that will increase doctrinal stability in the field of patent law. Based on the evidence it had compiled, the Hruska Commission singled out patent law as an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. Furthermore, in a Commission survey of practitioners, the patent bar indicated that uncertainty created by the lack of national law precedent was a significant problem.
>
> * * *
>
> The creation of the Court of Appeals for the Federal Circuit will produce desirable uniformity in this area of the law.

Id. at 1574 (quoting S. Rep. 97-275, 97th Cong., 1st Sess. 5, *reprinted in* 1982 U.S. Code Cong. & Ad. News 11, 15). The stated purpose from the House of Representatives was quite similar to that of the Senate: " '[T]he central purpose [of the FCIA] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in

the administration of patent law.' " *Id.* (quoting H.R. Rep. 97-312, 97th Cong., 1st Sess. 23).[2]

The Federal Circuit, after reciting this intent, noted the obvious – the primary objective of Congress in creating the Federal Circuit was to achieve uniformity and to reduce uncertainty in the area of patent law. *Id.* The court, in fact, viewed this Congressional intent as its "mandate." *Id.* The court went on to conclude that

> [t]he fundamental underpinning for uniformity was Congress' abhorrence of conflicts and confusion in the judicial system. That was the underlying motivation for the creation of the court, and it must remain the spirit and guiding principle of this court.

Id.

The Commissioner now calls on this Court to vitiate the Federal Circuit's self-described "spirit and guiding principle" by creating a scheme that Congress did not intend, a scheme that creates a potential for lack of uniformity that, at the present time, does not exist. The Commissioner has presented the Court with no compelling reason to contravene the purpose behind the Federal Circuit's creation. Congress had the opportunity to change the standard of review for patent appeals when it created the Federal Circuit; it chose not to do so. It should now be left for Congress to take action to change the applicable standard of review if it wishes to do so. Any other result would run afoul of Congress' intent and the

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[2] The legislative history behind the creation of the Federal Circuit is set forth in detail in the opinion below.

purpose for which the Federal Circuit was created – uniformity.

II. The Commissioner Asks the Court to Ignore Repeated Congressional Inaction With Regard to the Standard of Review.

For over a century, the "clearly erroneous" standard, or an analogous standard of review, has been applied to appeals of patent cases. *See Morgan v. Daniels*, 153 U.S. 120, 129 (1894) ("It is enough to say that the testimony as a whole is not of a character or sufficient to produce clear conviction that the Patent Office made a mistake."). Several times within this consistent history of appellate review, Congress has made significant changes to the patent system. At no time in this repeated consideration of the patent system has Congress seen fit to address or change the standard of appellate review employed by the courts of appeals. *In re Leuders*, 111 F.3d 1569, 1575 (Fed. Cir. 1997).

This Court has recognized that when Congress is aware of a statutory construction and yet has not sought to alter that interpretation even though it has amended the statute in other respects, Congress' silence accurately reflects legislative intent. *United States v. Rutherford*, 442 U.S. 544, 554 n.10 (1979); *Apex Hosiery Co. v. Leader*, 310 U.S. 469, 487-89 (1940). As demonstrated below, Congress has been aware of the standard of appellate review in patent cases for a long time. Despite its awareness and many opportunities to change the patent statutes in this regard, Congress has taken no action to change the long-accepted standard of review.

Even when enacting the APA, Congress did not alter the standard of review consistently applied to patent

cases for over fifty years. Indeed, the Report of the Committee on Administrative Procedure, specifically stated that:

> Staff reports were completed in connection with all the agencies [herein listed] except the following which are affected by special circumstances: . . . Patent Office, Department of Commerce (the highly specialized character of the Patent Office and the insufficiency of the Committee's staff led first to postponement and then to abandonment of plans to study this agency).

S. Doc. No. 8, 77th Cong., 1st Sess. at 4, note 2 (1941). It is evident from this language that the APA was seen as not affecting patent matters. Thereafter, appellate courts concluded likewise and continued to apply the clearly erroneous standard of review. *See, e.g., Ranney v. Bridges*, 188 F.2d 588, 596 (C.C.P.A. 1951).

Six years after the enactment of the APA, Congress made sweeping changes in patent law. In 1952, Congress codified the patent laws in Title 35 and repealed all prior patent statutes. *In re Leuders*, 111 F.3d at 1576. Yet, given this significant opportunity to reconcile what the Commissioner now claims is a potential conflict between the standard employed by appellate courts and the standard of review under the APA, Congress took no action. *Id.*

Ten years later, Congress again amended the patent laws by incorporating review under the APA into a particular subsection: "Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act." 35 U.S.C. § 135(c). The addition of this language in section

135(c) raises this question: Why would Congress have felt compelled to add this language to the patent laws if the APA already applied broadly under all patent review statutes? The clear answer is that it would not have done so. This 1962 amendment establishes that Congress did not consider the APA to be broadly applicable to patent law.

Finally, as noted previously, Congress addressed appellate review under the patent laws in 1982 when it created the Federal Circuit. Again, Congress did not take the opportunity to make the APA standard of review applicable to patent cases even though the primary focus of Congressional action at that time was appellate practice under the patent laws. *Leuders*, 111 F.3d at 1577.

More than fifty years have passed since the enactment of the APA. Neither before its enactment, nor in the fifty years since, has the APA standard been employed when reviewing decisions of the Board. Yet, the Commissioner now asks this Court to cast aside precedent and ignore common sense in arguing for the overturning of the clearly erroneous standard. The Commissioner's invitation might have been appropriate for Congress' consideration in the 1940s; today, however, the standard of review in patent cases is a firmly established lexicon of the Federal Circuit and represents a model of predictability and consistency for the patent bar. This Court should not take it upon itself to change a standard of review tacitly approved by Congress for many decades. Instead, this Court should continue to allow the use of the familiar and time-tested clearly erroneous standard until Congress instructs otherwise.

III. *Stare Decisis* Counsels Against a Change in Existing Law.

The Federal Circuit and its predecessors have applied the clearly erroneous standard of review for over a century. To abandon the wealth of precedent in support of this standard would run counter to the principle of *stare decisis* and would indicate an unnecessary departure from precedent. This Court has made clear its preference: "*Stare decisis* is the preferred course because it promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process." *Payne v. Tennessee*, 501 U.S. 808, 827 (1991).

This Court has outlined four factors that should be weighed when a court is considering disregard of prior decisions:

(1) where the rule of law "has been found unworkable;"

(2) whether the rule could be removed without considerable prejudice to those who have relied on it;

(3) whether the existing rule is a doctrinal anachronism discounted by society; and

(4) whether the premises of the rule have changed to an extent that the rule is now irrelevant or unjustifiable.

Planned Parenthood v. Casey, 505 U.S. 833, 855 (1992).

As noted by the Federal Circuit below, these factors weigh in favor of maintaining the present standard. The

principle of *stare decisis* and the need for uniformity and stability militate against the abandonment of a well-established standard that has been applied successfully for over a century. The Commissioner has demonstrated no principled reason for such a departure at this time or any change of circumstances that makes the issue of substantial importance.

IV. Even Assuming that the APA is Applicable, the Standards Set Forth Therein Establish Only the Minimum Standard to be Applied on Appeal.

Even assuming that the APA should apply to review of patent decisions, the Commissioner is incorrect that the APA mandates a standard other than the clearly erroneous standard of review. To the contrary, the standards of review listed in section 706 of the APA constitute only minimum standards of review, not a ceiling. Nowhere in the APA is a court prohibited from applying a more strict, less deferential standard.

In fact, the APA expressly allows heightened standards of review: "[these] sections . . . do not limit or repeal additional requirements imposed by statute or *otherwise recognized by law.*" 5 U.S.C. § 559 (emphasis added). The plain language of this passage makes clear that section 706 cannot be interpreted as defining maximum standards to be imposed. The Attorney General's Manual on the APA further supports this view: "The first sentence of Section 12 [a reference to section 559] is intended simply to indicate that the act will be interpreted as supplementing Constitutional and legal requirements imposed by

existing law." ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT, 139 (1947).

As stated above, the clearly erroneous standard is "recognized by law" and has been applied to patent cases for more than a century. Thus, this slightly heightened standard can be applied under the plain language of section 559 of the APA.

CONCLUSION AND STATEMENT OF RELIEF SOUGHT

The Amicus, therefore, requests that this Court affirm the judgment of the Federal Circuit.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
Commissioner of Patents and Trademarks,
Petitioner,

vs.

MARY E. ZURKO, THOMAS A. CASEY, JR.,
MORRIE GASSER, JUDITH S. HALL,
CLIFFORD E. KAHN, ANDREW H. MASON,
PAUL D. SAWYER, LESLIE R. KENDALL
and STEVEN B. LIPNER,
Respondents.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

This brief is submitted on behalf of the New York Intellectual Property Law Association (the "NYIPLA") — an association of more than 1,100 attorneys whose interest and practice lies in the areas of patent, copyright, trademark, trade secret and other intellectual property law.[1] Unlike attorneys in many other areas of practice, NYIPLA members, whether in private practice or employed by corporations, typically represent both plaintiffs and defendants in litigation. NYIPLA members also regularly participate in proceedings in the Patent and Trademark Office, including representing parties in interferences, as well as representing applicants for patents.

Since its founding in 1922, the NYIPLA has been committed to maintaining the integrity of United States patent law, and to the proper application of that law. Because of the practical experience of its members, and its non-partisan status, the NYIPLA believes that its views will aid this Court in its resolution of the issue raised in this appeal concerning the standard of review applicable to United States Patent and Trademark Office ("PTO") fact-finding.

SUMMARY OF THE ARGUMENT

This Court should permit the Court of Appeals for the Federal Circuit to continue to review PTO fact-finding under the "clear error" standard. Over 100 years ago, this Court applied the clear error standard in reviewing Patent Office fact-

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1. Pursuant to Sup. Ct. R. 37.6, the NYIPLA represents that it has authored this brief in whole, and that no person or entity other than the amicus and its counsel have made a monetary contribution to the preparation or submission of the brief. The parties to this case have consented to the filing of this brief, and their written consents have been filed with the Clerk of the Court.

finding. For 70 years, the PTO has received searching and thorough judicial review of its fact-finding by the Court of Appeals for the Federal Circuit and by its predecessor court the Court of Customs and Patent Appeals under a clearly erroneous standard of review (also called manifest error). The statutory language of the Administrative Procedure Act ("APA") permits the Federal Circuit to continue this standard of review. Specifically, 5 U.S.C. § 559 provides that Chapter 7 of the APA — including 5 U.S.C. § 706 — shall not limit additional requirements recognized by law before the enactment of the APA. The clear error standard of review applied to the PTO was such an additional requirement over and above the minimum standards of review required of the courts subsequently set forth in 5 U.S.C. § 706. This Court should not now adopt the more deferential "substantial evidence" standard (first requested by the PTO over 45 years after enactment of the APA), which would increase the likelihood that errors of the PTO remain uncorrected.

An erroneous decision by the PTO that a patent should not issue, or an erroneous decision in a patent interference awarding priority to a person who was not in fact the first inventor, can have a devastating impact on inventors, investors, the public, and the integrity of the patent system. Inventors and the companies for whom they work typically spend tremendous sums of money and time on research and development. In addition, particularly for individual inventors, the costs involved in searching the prior art and preparing and filing a patent application can be onerous. A decision by the PTO that rejects a patent application in error can make it impossible to recoup the ventured investments through the exclusivity provided by the patent laws. The public also may suffer from an incorrect decision of the PTO. After a patent application has been rejected, inventors and investors may simply give up, never commercializing the invention, or they may maintain it as a

trade secret. In either case, the public has lost the disclosure of a possibly significant advance in the useful arts that would have been contained in the issued patent.

The ruling by this Court in this appeal will also apply in patent interferences, since appeals to the Federal Circuit in interferences are governed by the same statute (35 U.S.C. § 141) as direct appeals from the PTO in ex parte cases. With respect to patent interferences, an incorrect decision by the PTO awarding the patent to a person who was not in fact the first inventor not only harms the true inventor by permanently denying him or her the right to the patent, but also creates a higher likelihood that a court will simply hold that incorrectly issued patent invalid when it is subject to full judicial scrutiny in subsequent patent litigation.

An incorrect decision of the PTO can have broader effects than on the particular individuals and inventions involved. When the underlying facts are intimately bound up with an ultimate legal question — such as with the issue of nonobviousness under 35 U.S.C. § 103 and numerous other substantive issues in patent law — an erroneous decision can create bad precedent for many cases to come.

The PTO is a unique administrative agency which has been in existence, and governed by well-developed statutory and common law, since long before the enactment of the APA. Its decisions, as well as the patents it issues, historically have been subject to thorough judicial scrutiny.

Moreover, regardless of how this Court decides the question presented here for review, a suit in the district court would still be available in which the PTO will receive close judicial scrutiny. Specifically, under 35 U.S.C. § 145 decisions of the PTO are subject to trial de novo in the District Court for the

District of Columbia.[2] But litigation in the district court (commonly followed by an appeal to the Federal Circuit) can be far more expensive, complicated and time consuming than a direct appeal to the Federal Circuit, and many inventors would like to rely in the first instance on the patent expertise of the Federal Circuit derived from its day-to-day experience absorbed in the patent law and patent cases. Moreover, the possible application of different standards of review to the same decision of the PTO on the same record could result in different outcomes depending solely on which forum was selected.

There is no good reason, in law or policy, which overcomes 70 years of precedent and warrants change from the clear error standard of review. If change is appropriate with respect to review of the PTO, it can easily and should come from Congress.

ARGUMENT

I.

THE PATENT AND TRADEMARK OFFICE, SINCE BEFORE THE APA WAS ENACTED, HAS BEEN SUBJECT TO CLEAR ERROR REVIEW BY THE JUDICIARY

A. Clear Error Review Was Recognized By The Law Of The Appeals Courts Prior To The APA

Before the Administrative Procedure Act was enacted in June 1946, the Court of Customs and Patent Appeals ("CCPA") systematically applied a "clear error" or "manifest error" standard of review to factual determinations of the Patent Office.

2. As discussed *infra*, pp. 16-17 n.6, the statutory provision for de novo review is limited in that, pursuant to this Court's precedent, the district court applies "clear error" review when reviewing the record before the PTO.

Attached as an Appendix to this brief is a list of 90 cases spanning the years 1929-1946 in which the Court of Customs and Patent Appeals reaffirmed and recognized its well-established "clear error" and "manifest error" standard of review.[3]

In applying its clear/manifest error standard of review, the Court of Customs and Patent Appeals — prior to the enactment of the APA — had expressly equated review of Patent Office decisions to appellate review of a trial court:

> The board's responsibility in the case was analogous to that of a judicial trial tribunal, and, as an appellate tribunal, we are not at liberty to reverse its findings of fact unless convinced that such findings were clearly against the weight of the evidence.

Hamer v. White, 143 F.2d 987, 990 (CCPA 1944).[4]

3. *E.g.*, *Berman v. Rondelle*, 75 F.2d 845, 847 (CCPA 1935) ("under the well known rule this court will not reverse the decision of the Board under such circumstances, unless it is clearly erroneous"); *In re Engelhardt*, 40 F.2d 760, 764 (CCPA 1930) ("We think that, considering all the facts in the case disclosed by the record, it is clear that the Board of Appeals should have held that" the prior art did not disclose elements of the applicant's invention); *Pengilly v. Copeland*, 40 F.2d 995, 996 (CCPA 1930) ("It is the settled rule that this court will not reverse concurring findings of the Patent Office tribunals, except where the court can say the decisions are manifestly wrong. . . . This follows a long line of decisions of the Court of Appeals of the District of Columbia."); *In re Batcher*, 59 F.2d 461, 463 (CCPA 1932) ("when an appeal is taken to this court, the judges of which are not supposed to be, and do not profess to be, experts in the realm of mechanics, the burden rests upon the party appealing to make it clear that the findings of fact by such tribunals are manifestly wrong").

4. This is contrary to the assertion of the amicus curiae Intellectual Property Professors that the "lower courts were not equating review of Patent Office decisions to appellate review of a trial court" (Brief for Amicus Curiae Intellectual Property Professors in Support of Petitioner, p. 15).

The "clear error" and "manifest error" standards meant the same thing and were used interchangeably by the CCPA. For example, in *In re Bertsch*, 107 F.2d 828, 831 (CCPA 1939), the CCPA stated that Patent Office findings would not be disturbed unless they were "manifestly wrong," and cited *In re Hornsey*, 48 F.2d 911, 912 (CCPA 1931), which in turn held that findings by the Patent Office would be reversed only when it was "clear that they are erroneous." Conversely, in *Joseph & Feiss Co. v. Joseph Kanner Hat Co.*, 337 F.2d 1014, 1015 (CCPA 1964), the CCPA stated the PTO's findings would not be disturbed unless they were "clearly erroneous," and cited *Ranney v. Bridges*, 188 F.2d 588, 596 (CCPA 1951), which in turn held that factual findings by the Patent Office would be reversed only when they were "manifestly wrong." The Federal Circuit too has used the manifest and clear error standards interchangeably. *See Stock Pot Restaurant, Inc. v. Stockpot, Inc.*, 737 F.2d 1576, 1578 (Fed. Cir. 1984) (stating that the PTO's findings in a trademark case were reviewable to determine whether they are " 'clearly' or 'manifestly' wrong or erroneous").

The fact that "manifest error" and "clear error" have been used interchangeably reflects the fact that the phrases are synonymous. *See* Black's Law Dictionary 962 (6th ed. 1990) ("manifest" is "synonymous with open, *clear*, visible, unmistakable, indubitable, evident, and self-evident"); *see also* Concise Oxford Dictionary of Current English 829 (9th ed. 1995) (defining "manifest" as "clear or obvious to the eye or mind"); and A New Dictionary On Historical Principles 122 (1908) (defining "manifest" as "clearly revealed to the eye, mind, or judgment").

Only a handful of cases decided before enactment of the APA have been found in which the CCPA diverged from the clear/manifest error standard. Specifically, in *Townsend v. Smith*, 36 F.2d 292, 294 (CCPA 1929), and *Kreidel v. Parker*, 97 F.2d 171, 179 (CCPA 1938), the CCPA apparently exercised de novo review over the Patent Office's fact-finding. In *Clancy v. De Jahn*, 36 F.2d 131, 132 (CCPA 1929), and *Zublin v. Pickin*, 70 F.2d 732, 733 (CCPA 1934), the CCPA reviewed for "material error." And in four other cases, the CCPA reviewed the decision in a manner similar to clear error review. *Jardine v. Long*, 58 F.2d 836, 836 (CCPA 1932) (the court will affirm unless "fully convinced" that the Patent Office's findings are "not in accord with the weight of the evidence"); *In re Christmann*, 107 F.2d 607, 609 (CCPA 1939) (reversing where "it seemed proper" to do so); *Mantz v. Jackson*, 140 F.2d 161, 164 (CCPA 1944) (reviewing to determine whether appellant met a "heavy burden" of showing that the Patent Office decision was "erroneous"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) (reviewing for " 'cogent evidence of mistake and miscarriage of justice' "). In these few cases, the CCPA either applied a standard of review substantively the same as the "clear error" or "manifest error" standard, or gave an even more searching review of the Patent Office's fact-finding. These few cases in no respect warrant a conclusion other than that the recognized standard of review applied by the CCPA before the APA was enacted was "manifest error" or "clear error."

Nevertheless, the amicus curiae Intellectual Property Professors argue that the clearly erroneous standard "was not applied prior to the enactment of the APA" (Brief for Amicus Curiae Intellectual Property Professors in Support of Petitioner (referred to herein as "Brf. for Amicus Professors"), pp. 11-12). But the case law itself refutes this assertion. Under current standards, clear error occurs when:

> although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.

SSIH Equipment S.A. v. United States Int'l Trade Comm'n, 718 F.2d 365, 381 (Fed. Cir. 1983) (Nies, J., additional views) (quoting *United States v. Gypsum Co.*, 333 U.S. 364, 395 (1948)). Review of the pre-APA case law listed in the Appendix to this brief shows that the CCPA reviewed the entire evidence of record and determined whether it had been clearly shown that the Patent Office's findings were mistaken, just as is done today.

B. Clear Error Review Was Likewise Recognized By The Law Of This Court Prior To The APA

The clearly erroneous standard of review of PTO fact-finding was also recognized in the law of this Court prior to the APA. Specifically, in *Morgan v. Daniels*, 153 U.S. 120 (1894), this Court reviewed in detail the record of the Patent Office's decision as to priority of invention to determine whether the record "produce[d] a clear conviction that the Patent Office made a mistake." *Morgan*, 153 U.S. at 129.

Citing only the beginning portion of the *Morgan* opinion, the Petitioner and the amicus Intellectual Property Professors incorrectly argue that the case actually involved some "high level of deference" standard more deferential than clear error. (*See* Brf. for Petitioner, pp. 33-34; Brf. for Amicus Professors, pp. 12-13.) But review of what this Court actually did in *Morgan* is consistent with the Court's express statement of the clear error standard of review, 153 U.S. at 129, which it was applying. Specifically, the Court critically reviewed the record testimony and documentary evidence, commenting on its weight and the credibility of witnesses. *See* 153 U.S. at 125-29. The Court found, for example, that "Lambert's testimony does not, it seems to us, carry the weight which is claimed for it," *id.* at 127, that the alleged conduct of Daniels and Lambert was not "probable" and was "strange," *id.*, that the testimony of Fowler

was "equally unreasonable," *id.*, and was "not of a character to carry great weight," *id.* at 129.

Indeed, in *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985), the Court of Appeals correctly concluded that the language articulated in *Morgan* defined substantively the same standard of review as the "clearly erroneous" standard currently used by appellate courts.

Since *Morgan v. Daniels* involved clear error review of PTO fact-finding, the Petitioner and the amicus Intellectual Property Professors try to distance *Morgan* on the grounds that: (i) the case involved an appeal from a bill of equity in the trial court; and (ii) involved an interference. (Brf. for Petitioner, pp. 33-34; Brf. for Amicus Professors, pp. 12-14.) But these distinctions are without substantive difference. First, in *Morgan* there was no additional evidence admitted in the trial court — the case was decided and reviewed entirely on the PTO record. *See Morgan*, 153 U.S. at 122. The situation therefore was identical to an appeal directly from the PTO to a court of appeals. Second, interferences and ex parte decisions of the PTO are reviewed under the same statutory standards. *See* 35 U.S.C. § 141 (governing appeals to the Federal Circuit in both interferences and ex parte cases), § 145 (civil actions in ex parte prosecution), § 146 (civil actions in interferences). There is no legal basis for treating appellate review of PTO fact-finding in interferences differently from appellate review of PTO fact-finding in ex parte patent prosecution, as the amicus Intellectual Property Professors recognize. (*See* Brf. for Amicus Professors, p. 14 ("parity between review of interferences and review of other PTO patentability decisions is consistent with administrative law developed in other contexts . . . and is sound in this context too"); *see also* Brf. for Amicus Professors, p. 15 ("there is no reason to believe that the *Morgan* standard should be limited to review of a particular category of PTO decisions").

In sum, recognized common law has required courts to use the "clearly erroneous" standard when reviewing PTO fact-finding for more than 100 years.

C. The Petitioner Has Failed To Show That Clear Error Review Was Not Recognized By Law

The Petitioner argues (Brf. for Petitioner, pp. 24-25) that the courts were not generally applying a recognized standard of review. But, as shown by the case law cited above (*supra*, pp. 4-9) and listed in the Appendix, this argument by the Petitioner is inaccurate. Moreover, the only two citations the Petitioner relies on (Brf. for Petitioner, p. 25) do not support its argument. First, the Petitioner quotes (Brf. for Petitioner, p. 25) portions from the Federal Circuit's en banc opinion below where the court refused to find that only one standard of review had been articulated. But these quotes are taken out of the context of the opinion. The Federal Circuit specifically canvassed the pre-APA standard of review applied in the courts. *See In re Zurko*, 142 F.3d 1447, 1454-55 (Fed. Cir. 1998). Consistent with the discussion of the case law herein, *supra* pp. 4-9, the Federal Circuit concluded that the courts had applied the "close cousins" of manifestly erroneous and clearly erroneous review, and in a few cases standards *more* searching than these:

> The cases articulate various standards or methods of review, including the clear error standard, each of which requires more rigorous review than is required by the APA.

Zurko, 142 F.2d at 1454. Significantly, the court found that no case has ever applied a substantial evidence or arbitrary and capricious standard. *Id.* at 1455.

Next, the Petitioner cites (Brf. for Petitioner, p. 25) the reference book, D. Dunner et al., *Court of Appeals for the Federal Circuit: Practice & Procedure* § 6.04, at 49 to 6-52 (1995). But the *Practice & Procedure* reference does not support the Petitioner's argument. Rather that reference simply cites some eleven cases and the verbal formulations applied in those cases. But in seven of these cases, the CCPA applied the clear error or manifest error standard;[5] in another (decided after the APA) the CCPA reviewed a matter of procedure within the discretion of the PTO for "obvious error," *In re Bourdon*, 240 F.2d 358, 360 (CCPA 1957); and in the remaining three — only one of which was decided before the APA — the CCPA applied a standard similar to clear error, *In re Kaufmann*, 193 F.2d 331, 335 (CCPA 1951) (PTO findings "would be persuasive, although not conclusive"); *In re Noxon*, 210 F.2d 835, 836 (CCPA 1954) (PTO holdings entitled to "great weight"); *Rodli v. Phillippi*, 154 F.2d 139, 140 (CCPA 1946) (reviewing for "cogent evidence of mistake") by law.

Accordingly, the Petitioner's contention that the Federal Circuit "adopt[ed] whatever standard of review it deem[ed] appropriate" (Brf. for Petitioner, pp. 20, 30) is in error. The clear error standard of review was recognized by this Court in *Morgan*. The CCPA systematically used clearly erroneous or manifestly erroneous as its standard of review prior to the enactment of the Administrative Procedure Act. Pursuant to that standard, as seen in the case law, the CCPA thoroughly reviewed the prior art references and other materials of record in the Patent Office to determine whether the Patent Office's decision was shown to be clearly wrong. The Federal Circuit "adopted" the standard which had been systematically applied and recognized by law.

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5. *Daley v. Wiltshire*, 293 F.2d 677 (CCPA 1961); *In re Ubbelohde*, 128 F.2d 453 (CCPA 1942); *Israel v. Cresswell*, 166 F.2d 153 (CCPA 1948); *Societe Anonyme Marne et Champagne v. Myers*, 250 F.2d 374 (CCPA 1957); *In re Wietzel*, 39 F.2d 669 (CCPA 1930); *In re Bertsch*, 132 F.2d 1014 (CCPA 1942); *In re Stoll*, 161 F.2d 241 (CCPA 1947).

II.

THE PLAIN LANGUAGE OF THE APA PERMITS THE FEDERAL CIRCUIT TO CONTINUE REVIEWING PTO FACT-FINDING FOR CLEAR ERROR

Section 12 of the Administrative Procedure Act, 5 U.S.C. § 559, provides in pertinent part that "Chapter 7" of the Act, i.e., expressly including 5 U.S.C. § 706:

> do[es] not limit or repeal additional requirements imposed by statute or otherwise recognized by law.

By its plain terms, 5 U.S.C. § 559 does not preserve just additional statutory requirements of law, but also broadly preserves preexisting requirements otherwise recognized by law thus including judge or agency made law. *See also United Transp. Union-Illinois Legislative Bd. v. ICC*, 52 F.3d 1074, 1079 (D.C. Cir. 1995) (§ 559 preserved the preexisting "inherent authority" of the Interstate Commerce Commission to issue declaratory judgment orders). Moreover, § 559 can operate to impose additional requirements relating to judicial review beyond the minimum standards set forth in 5 U.S.C. § 706. *See United States v. Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995) (preexisting statutory requirement that court review agency findings "on the record considered as a whole" preserved the additional requirement that the agency file a certified copy of the administrative record with the district court).

There is no textual basis for limiting 5 U.S.C. § 559, as requested by the Petitioner (Brf. for Petitioner, p. 22), to the "informational, rulemaking and administrative adjudication provisions at the core of the APA" set forth in 5 U.S.C. §§ 552-557. To the contrary, 5 U.S.C. § 559 broadly applies by its terms to Chapter 7 of the APA, including § 706. Nor is § 559 limited,

by its terms, to requirements "of agencies," as the Petitioner suggests (Brf. for Petitioner, p. 23). Its language is broad enough to encompass requirements of courts recognized by law.

The Petitioner's non-textual argument that 5 U.S.C. § 559 is designed to "provide some hortatory reassurance that the public rights provided by the Act were not intended to diminish other rights" (Brf. for Petitioner, p. 24) directly supports maintaining clear error review. Specifically, as the Petitioner recognizes (Brf. for Petitioner, p. 7), the patent statute is drafted so as to confer a right on members of the public to obtain a patent if they meet the requirements of law. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 985 n.14 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996); 35 U.S.C. § 131 ("if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor"); *see also* 35 U.S.C. § 102 ("A person shall be entitled to a patent unless — . . . ."); 35 U.S.C. § 103. This very case illustrates the situation where application of the APA's provisions would diminish the rights of members of the public. In this case, the additional preexisting common law requirement for the more searching clearly erroneous review of the PTO's decision resulted in a determination that the Respondent had a right to a patent. *Zurko*, 142 F.3d at 1459. On the other hand, if the APA is construed, contrary to 5 U.S.C. § 559, to limit the additional preexisting common law requirement of more searching review, then (as the Federal Circuit felt) the Respondents would have no right to a patent. *See id.* at 1449.

There should be no doubt that the "clear error" standard of review which was required by this Court in *Morgan* and by other judge-made law in the CCPA prior to enactment of the APA (*supra*, pp. 4-9) imposes an additional requirement on the reviewing court beyond the otherwise applicable standards of review subsequently set forth in the APA. The very reason

for this appeal was the PTO's desire to avoid this additional requirement. More specifically, 5 U.S.C. § 706, by its express terms, imposes *minimum* review requirements *on the courts*, stating in pertinent part that:

> The reviewing court shall — . . . (2) hold unlawful and set aside agency action, findings, and conclusions found to be — (A) arbitrary, capricious, and abuse of discretion, or otherwise not in accordance with law; . . . (E) unsupported by substantial evidence in a case . . . otherwise reviewed in the record of an agency hearing provided by statute. . . .

5 U.S.C. § 706(2). The "substantial evidence" standard of review which the PTO now advocates "restricts an appellate court to a greater degree than 'clearly erroneous' review." *SSIH Equipment*, 718 F.2d at 382. The substantial evidence standard simply asks whether the record contains "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." *Id.* (quoting *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 477 (1951)). The distinction between "clear error" review and "substantial evidence" review is of course not trivial. "There is a significant difference between the standards of 'substantial evidence' and of 'clearly erroneous,' and in close cases this difference can be controlling." *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987).

The arbitrary and capricious standard, advocated only by the amicus Intellectual Property Professors, is even more restrictive of the Court of Appeals. Under the arbitrary and capricious standard, a finding will be upheld as long as "the decision was based on a consideration of the relevant factors." *Citizens to Protect Overton Park v. Volpe*, 401 U.S. 402, 416

(1971). If the arbitrary and capricious standard were to be adopted, appeal to the Federal Circuit of decisions by the PTO rejecting patents or in interferences could largely be an exercise in futility.

The requirement recognized by law when the APA was enacted — i.e., that the Patent Office decisions are subject to judicial review for clear error — is an additional requirement over and above the standards set forth in 5 U.S.C. § 706, and this "clear error" standard therefore may be preserved through 5 U.S.C. § 559.

III.

THERE ARE SOUND STRUCTURAL AND POLICY REASONS TO CONTINUE CLEAR ERROR REVIEW

Since the language of the APA permits the Federal Circuit to continue applying the additional requirement recognized by the common law of reviewing PTO fact-finding for clear error, the question becomes whether this common law standard should continue. As discussed below, it should.

The administration of the patent laws has traditionally been subject to close judicial scrutiny. Moreover the PTO readily admits that its decisions are subject to close judicial scrutiny. In its supplemental brief filed in the en banc hearing at the Federal Circuit (pp. 10 n.4, 15 n.7, 16), the PTO emphasized that its fact-finding is subject to de novo judicial review in the district court pursuant to 35 U.S.C. § 145. Under that provision, an inventor can simply sue in the district court to challenge the PTO's rejection of a patent application, and the district court may adjudge that the applicant "is entitled to receive a patent for his invention . . . as the facts in the case may appear. . . ." 35 U.S.C. § 145.

The reason the PTO *relies* on the existence of de novo review in the district court is to avoid having to follow other sections of the APA. Specifically, the "formal adjudication section" of the APA, 5 U.S.C. § 554, which includes a laundry list of procedural requirements not followed by the PTO, does not apply to the PTO because that section states that it does not apply "to the extent that there is involved — (1) a matter subject to a subsequent trial of the law and the facts de novo in a court." 5 U.S.C. § 554(a)(1). If the PTO's decisions were not subject to trial "de novo," then § 554 would apply. The PTO's desire for at least some portions of the APA (§ 554) not to apply to the PTO, and its consequent recognition that the PTO's fact-finding is subject to close judicial scrutiny, thus casts serious doubt on its premise (Brf. for Petitioner, p. 18) that the APA (§ 706) must be construed to apply to the PTO because it is an agency deserving of judicial deference and fully subject to all the provisions of the APA.

Therefore, regardless of how this Court answers the question of whether the Federal Circuit is bound to apply a substantial evidence standard in appeals directly to that court, in § 145 actions the district court would review PTO decisions pursuant to a limited de novo standard of review. If the Federal Circuit must apply a substantial evidence standard of review for its own review of PTO fact-finding, it would be possible for the same decision of the PTO, on the same record, to be reviewed under different standards depending on whether an appeal was taken to the Federal Circuit under 35 U.S.C. § 141 (substantial evidence review) or a suit was brought in the district court under 35 U.S.C. § 145 (de novo trial with clear error review of PTO record).[6]

6. The scope of the § 145 de novo trial has been judicially limited. Specifically, the Court of Appeals for the Federal Circuit — following *Morgan v. Daniels* — has held that the district court is to review the (Cont'd)

Moreover, the district court would be reviewing the PTO record more thoroughly than the Federal Circuit. The effect would be a channelling of appeals away from the Federal Circuit to the district court. This result would be an anathema to the Federal Circuit's core functions of reviewing PTO decisions and providing uniform standards for patent law.

In *Morgan v. Daniels*, this Court specifically considered the nature and qualifications of the PTO, yet chose to review its fact-finding under the clear error standard of review. Now, over 100 years later, the Petitioner still does not and has never complained that this practice has caused problems in the administration of the patent laws.

In light of: (i) the judiciary's longstanding role in making substantive determinations as to whether patents should issue; (ii) the expertise of the Federal Circuit in the area of patent law; (iii) the historic practice of this Court and the Court of Appeals for the Federal Circuit and its predecessor courts to review PTO fact-finding under the clear error standard; (iv) *stare decisis* principles which counsel that the practice be maintained; and (v) the language of 5 U.S.C. § 559 which permits the Federal Circuit to continue that practice, the Federal Circuit should not now be required to drop its standard of judicial review of PTO fact-finding to less than "clear error."

(Cont'd)
record before the PTO under the "clearly erroneous" standard of review, and is to make de novo findings on any new evidence presented to the district court on a disputed fact question. *See Fregeau v. Mossinghoff*, 776 F.2d 1034 (Fed. Cir. 1985). There is no basis, statutorily, historically or otherwise, for further limiting the district court's de novo trial of PTO decisions under 35 U.S.C. § 145. Nor does the PTO even seek to avoid de novo review in the district court, since that would result in application of other sections of the APA including 5 U.S.C. § 554.

If, from a policy standpoint, less thorough judicial review of PTO fact-finding is appropriate, that change may readily and more appropriately come from Congress. *Compare SSIH Equipment*, 718 F.2d at 371 (In 1980, Congress specifically amended 19 U.S.C. § 1337 to make applicable the APA's "substantial evidence" standard).

CONCLUSION

The decision of the court of appeals should be affirmed.

Respectfully submitted,

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APPENDIX

PRE-APA DECISIONS OF THE CCPA APPLYING A "CLEAR ERROR" STANDARD OF REVIEW

In re Moulton, 38 F.2d 359, 360 (CCPA 1930)

In re Ford, 38 F.2d 525, 526 (CCPA 1930)

In re Walter, 39 F.2d 724, 724 (CCPA 1930)

In re Engelhardt, 40 F.2d 760, 764 (CCPA 1930)

Dorer v. Moody, 48 F.2d 388, 389 (CCPA 1931)

In re Hornsey, 48 F.2d 911, 912 (CCPA 1931)

Rowe v. Holtz, 55 F.2d 468, 471 (CCPA 1932)

In re Pierce, 65 F.2d 271, 274 (CCPA 1933)

Berman v. Rondelle, 75 F.2d 845, 847 (CCPA 1935)

Daley v. Trube, 88 F.2d 308, 312 (CCPA 1937)

Lasker v. Kurowski, 90 F.2d 132, 134 (CCPA 1937)

Krebs v. Melicharek, 97 F.2d 477, 479 (CCPA 1938)

In re Schmidt, 100 F.2d 673, 676 (CCPA 1938)

Parker v. Ballentine, 101 F.2d 220, 223 (CCPA 1939)

Reed v. Edwards, 101 F.2d 550, 552 (CCPA 1939)

Tears v. Robinson, 104 F.2d 813, 814 (CCPA 1939)

In re Kaplan, 110 F.2d 670, 672 (CCPA 1940)

In re Carlton, 111 F.2d 190, 192 (CCPA 1940)

Paulsen v. McDowell, 142 F.2d 267, 270 (CCPA 1944)

Hamer v. White, 143 F.2d 987, 990 (CCPA 1944)

Pinkerton v. Stahly, 144 F.2d 881, 885 (CCPA 1944)

In re Ruzicka, 150 F.2d 550, 553 (CCPA 1945)

Kenyon v. Platt, 152 F.2d 1006, 1009 (CCPA 1946)

PRE-APA DECISIONS OF THE CCPA APPLYING A "MANIFEST ERROR" STANDARD OF REVIEW

Beidler v. Caps, 36 F.2d 122, 123 (CCPA 1929)

Stern v. Schroeder, 36 F.2d 515, 517 (CCPA 1929)

Stern v. Schroeder, 36 F.2d 518, 522 (CCPA 1929)

Janette v. Folds, 38 F.2d 361, 362 (CCPA 1930)

In re Demarest, 38 F.2d 895, 896 (CCPA 1930)

In re Banner, 39 F.2d 690, 692 (CCPA 1930)

In re Wietzel, 39 F.2d 669, 670 (CCPA 1930)

Pengilly v. Copeland, 40 F.2d 995, 996 (CCPA 1930)

In re Kochendorfer, 44 F.2d 418, 419 (CCPA 1930)

Thompson v. Pettis, 44 F.2d 420, 421 (CCPA 1930)

In re Dickerman, 44 F.2d 876, 877 (CCPA 1930)

In re McDonald, 47 F.2d 802, 804 (CCPA 1931)

In re Hermans, 48 F.2d 386, 387 (CCPA 1931)

In re Anhaltzer, 48 F.2d 657, 658 (CCPA 1931)

Bennett v. Fitzgerald, 48 F.2d 917, 918 (CCPA 1931)

In re Doherty, 48 F.2d 952, 953 (CCPA 1931)

Montgomery Ward & Co. v. Sears, Roebuck & Co., 49 F.2d 842, 843 (CCPA 1931) (trademark interference)

In re Murray, 53 F.2d 540, 541 (CCPA 1931)

In re Breer, 55 F.2d 485, 486 (CCPA 1932)

In re Fessenden, 56 F.2d 669, 670 (CCPA 1932)

Henry v. Harris, 56 F.2d 864, 866 (CCPA 1932)

Fageol v. Midboe, 56 F.2d 867, 870 (CCPA 1932)

Gamble v. Church, 57 F.2d 761, 762 (CCPA 1932)

Robbins v. Steinbart, 57 F.2d 378, 379 (CCPA 1932)

Martin v. Friendly, 58 F.2d 421, 422 (CCPA 1932)

In re Batcher, 59 F.2d 461, 463 (CCPA 1932)

In re Dubilier, 62 F.2d 374, 377 (CCPA 1933)

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Evans v. Clocker, 64 F.2d 137, 139 (CCPA 1933)

In re Alden, 65 F.2d 136, 137 (CCPA 1933)

Farmer v. Pritchard, 65 F.2d 165, 168 (CCPA 1933)

In re Bloch, 65 F.2d 268, 269 (CCPA 1933)

In re Snyder, 67 F.2d 493, 495 (CCPA 1933)

Angell v. Morin, 69 F.2d 646, 649 (CCPA 1934)

Osgood v. Ridderstrom, 71 F.2d 191, 195 (CCPA 1934)

Urschel v. Crawford, 73 F.2d 510, 511 (CCPA 1934)

Marine v. Wright, 74 F.2d 996, 998 (CCPA 1935)

Tomlin v. Dunlap, 88 F.2d 727, 731 (CCPA 1937)

Coast v. Dubbs, 88 F.2d 734, 739 (CCPA 1937)

In re Taylor, 92 F.2d 705, 706 (CCPA 1937)

In re Adamson, 92 F.2d 717, 720 (CCPA 1937)

Bryson v. Clarke, 92 F.2d 720, 722 (CCPA 1937)

Adams v. Stuller, 94 F.2d 403, 406 (CCPA 1938)

Brand v. Thomas, 96 F.2d 301, 302 (CCPA 1938)

Ellis v. Maddox, 96 F.2d 308, 314 (CCPA 1938)

Creed v. Potts, 96 F.2d 317, 321 (CCPA 1938)

In re Cassidy, 97 F.2d 93, 95 (CCPA 1938)

Kauffman v. Etten, 97 F.2d 134, 139 (CCPA 1938)

Kindelmann v. Morsbach, 97 F.2d 796, 800 (CCPA 1938)
King v. Young, 100 F.2d 663, 670 (CCPA 1938)

Hill v. Casler, 102 F.2d 219, 222 (CCPA 1939)

Meur v. Schellenger, 104 F.2d 949, 952 (CCPA 1939)

In re Bertsch, 107 F.2d 828, 831 (CCPA 1939)

McBride v. Teeple, 109 F.2d 789, 797 (CCPA 1940)

In re Wuertz, 110 F.2d 854, 857 (CCPA 1940)

Prahl v. Redman, 117 F.2d 1018, 1021 (CCPA 1941)

Vickery v. Barnhart, 118 F.2d 578, 581 (CCPA 1941)

Farnsworth v. Brown, 124 F.2d 208, 214 (CCPA 1941)

In re Ubbelohde, 128 F.2d 453, 456 (CCPA 1942)

In re Bertsch, 132 F.2d 1014, 1016 (CCPA 1942)

In re Cohen, 133 F.2d 924, 926 (CCPA 1943)

In re Stacy, 135 F.2d 232, 233 (CCPA 1943)

Shumaker v. Paulson, 136 F.2d 686, 688 (CCPA 1943)

Paulson v. Hyland, 136 F.2d 695, 697 (CCPA 1943)

Dreyer v. Haffcke, 137 F.2d 116, 117 (CCPA 1943)

In re Allbright, 152 F.2d 984, 986 (CCPA 1946)

Beall v. Ormsby, 154 F.2d 663, 668 (CCPA 1946)

Supreme Court, U.S.
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(14)

No. 98-377

SUPREME COURT OF THE UNITED STATES

October Term, 1998

LEHMAN, COMMISSIONER OF PATENTS

Petitioner,

vs.

ZURKO

Respondent.

BRIEF OF JOHN P. SUTTON, AMICUS CURIAE IN SUPPORT OF AFFIRMANCE OF THE FEDERAL CIRCUIT DECISION

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BEST AVAILABLE COPY

QUESTION PRESENTED FOR REVIEW:

Whether a standard of judicial review specified in the patent statute (Title 35, U.S.C. §282) that is more stringent than that specified by the APA is an "additional requirement imposed by statute" within the meaning of 5 U.S.C. § 559.

This question differs slightly from the question posed in the government's petition for review, because it is the contention of this Brief that the patent *statute* contains additional requirements not found in the APA, so it is unnecessary to rely upon the common law as "otherwise recognized by law," as the Federal Circuit did.

LIST OF PARTIES (Rule 24.1(b))

Amicus is not aware of any parties other than those in the caption, but he does not represent or have any affiliation with any party.

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JURISDICTION (Rule 24.1(e))

Amicus has no knowledge of the basis for the Petition, although he assumes jurisdiction is proper.

CONSENT OF PARTIES

The Brief is submitted under the provisions of Rule 37(3)(a) in support of affirmance of the Federal Circuit decision.

The consent of Petitioner is attached to the original of this Brief. The consent of Respondent is attached to the original of this Brief.

TABLE OF CITATIONS

American Hoist & Derrick Co. v. Sowa & Sons, Inc. 16
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RULES

Fed.R.Civ.P. 52(a)

STATEMENT OF THE CASE

The Federal Circuit reversed the decision of the Board of Patent Appeals and Interferences of the Patent and Trademark Office ("PTO") on the ground that it was clearly erroneous. The government contends that the Federal Circuit cannot reverse for clear error, because the Administrative Procedure Act ("APA") sets a higher standard for judicial review of final agency actions. The Commissioner seeks to have greater deference accorded PTO agency action than the deference of reversal only for "clear error."

SUMMARY OF ARGUMENT

The APA does not limit the additional requirement of secrecy of agency actions imposed by 35 U.S.C. § 122. The requirement for secrecy of patent applications has been in effect at least since 1854. PTO Commissioners Schuyler, Gottschalk, Dann and Diamond all successfully argued that the APA does not overcome the long-standing tradition of secrecy of patent applications in a series of cases apparently forgotten by the present Commissioner.

The APA does not limit the additional requirement imposed by 35 U.S.C. § 282, which precisely sets forth the deference to be accorded PTO agency action. The statute provides for a presumption that the agency action is correct, and a presumption may be overcome by a showing that it is clearly erroneous. The clear error deference has been in the patent law since 1870, long prior to the APA.

It is for Congress, not this Court, to retroactively repeal or revise statutory provisions and regulations from the last century, in order to make PTO agency action conform to the deference accorded to agencies created in this century. Agencies regulated by the APA make open, publicly known and debated determinations, on matters that are within their special discretion. The PTO performs a somewhat different service under statutory requirements not found in the APA.

ARGUMENT

The Federal Circuit reached the correct result in this case, but for the wrong reasons. Surely the judge-made doctrine of *stare decisis* does not trump an act of Congress. Were it otherwise, Congress

could never pass a law to alter a decision of a Court. For over two hundred years, the separation of powers has permitted the Congress to change the rules governing judicial decision-making. The APA clearly limits judicial review, and Congress had the power to do so in enacting that law. However, it expressly said that "additional requirements imposed by statute" were not to be limited. Two provisions of the present patent statute existed when the APA was enacted, and neither was repealed or limited in any way by Congress. The Federal Circuit decision being reviewed addresses neither.

The APA was intended to be flexible, considering the diverse kinds of agency action contemplated. It expressly permits the consideration of "additional requirements" that are either statutory of recognized by law. 5 U.S.C. § 559. The patent law has two such additional requirements in 35 U.S.C. §§ 122 and 282.

1. THE VERY ESSENCE OF THE PTO AGENCY ACTION IS CLOAKED IN SECRECY.

The reason that the APA cannot apply to agency decisions of the Patent and Trademark Office in patent applications is that Congress has decreed

that "Applications for patents shall be kept in confidence" by the agency (35 U.S.C. § 122). The APA, on the other hand, requires that agency action must be open to the public to the extent possible. "Each agency shall make available public information ... as to the scope and contents of all papers, reports or examinations." 5 U.S.C. § 552(a)(1)(C). "Each agency, in accordance with published rules, shall make available for public inspection and copying ... final opinions, including concurring and dissenting opinions, as well as orders, made in the adjudication of cases" 5 U.S.C. § 552(a)(2)(A).

"To the extent required to prevent clearly unwarranted invasion of personal privacy, an agency may delete identifying details when it makes available or publishes an opinion." "Each agency shall also maintain and make available for public inspection and copying ... [records] as to any matter issued." "A final order, opinion ... that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if ... it has been ... made available or published" 5 U.S.C. § 552(c).

The PTO is forbidden to disclose to the public any examination records of a patent application,

contrary to Section 552(a)(1)(C). The only final order of the PTO that may be published is the grant of a patent. Where the final order is adverse to a patent applicant, a member of the public, and the patent application is denied, *nothing* is publicly disclosed. Approximately two thirds of patent applications are granted as patents, and the remaining one third of applications are abandoned. This means that a third of all final agency actions are not publicly disclosed, in violation of Section 552(a)(2)(A), were it applicable.

It is not just embarrassing personal details that are deleted from public view. *Everything* about a rejected patent application is withheld from public view. It is true that the prosecution history of an *issued* patent is made available for inspection and copying by the PTO, but not those patent applications where the patent is denied. If an application for a broadcast license from the Federal Communications Commission is denied, for example, the public has access to the agency action. Where an application for an airline route is denied, for another example, the public has access to the agency action. However, where the PTO denies a patent application, no one even knows that the application was even filed, much less how the agency reached its decision. Patent

examination is conducted under a procedure that is the very antithesis of the APA.

A final order adverse to a patent applicant, a member of the public, may not be "relied on, used, or cited as precedent" under Section 552(c) because it never sees the light of day.

The distinction between public availability and secrecy under 35 U.S.C. § 122 is the key to the decision that must be made in this case.

2. SECRECY HAS BEEN AN ADDITIONAL REQUIREMENT OF PATENT LAWS FOR CENTURIES.

The whole purpose behind "letters patent" that developed in the middle ages was to encourage those with new developments in technology to come forward with a disclosure to the public, so that the idea could be used by others for the development of technology. The reward for coming forward with a public disclosure was a right to exclude others from using the invention for a limited time. Development of the "art" or technology included both the use of the invention by others once it entered the public domain (upon expiration of the limited time), as well as the

opportunity to build upon the original idea by making improvements for the good of mankind.

"[T]he patent system represents a carefully balanced bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time" *Pfaff v. Wells Electronics, Inc.*, __ U.S. __ , (No. 97-1130, November 10, 1998).

The contract is between the inventor, or his assignee, to permit publication of his letters patent in return for the sovereign, represented by the patent examiner, determining that the value of the invention to the public is worth the grant of a right to exclude for a limited time. The grant of patents by sovereigns to those introducing new technology into the realm has continued for 500 years. The number of contracts between inventors and the United States government is approaching six million since 1790, when our first patent act was passed.

Sometimes, the patent examiner does not believe that the invention is worthy of a grant of a patent, either because it is already in the public domain; it is not useful; or the patent application is flawed. The sovereign has the discretion not to grant

the valuable right to exclude, but if it decides not to grant the patent as its part of the bargain, then it cannot publish the invention as letters patent, and the inventor is left with his trade secret. The trade secret, which the creator possesses until he chooses to disclose it to another, remains, under United States law, because it has not been divulged by reason of the statutory examination in confidence (35 U.S.C. § 122).

If a deal is not struck between the inventor and the sovereign, the inventor may exploit his invention, by using it, licensing it, or selling it as a trade secret. Even abandoned patent applications are kept from public view, except where the inventor makes reference to the original patent application in a later patent application. If the inventor does not want any member of the public to know about his failed patent application, he can simply make no reference to it, and it will never be made available to the public, under United States law.

As a consequence, the agency action in examining a patent application is secret from the beginning (filing an application) until the letters patent are published. No member of the public may comment upon the prospective agency action,

because no member of the public can know of the contemplated agency action from the agency. This is the crucial difference between the APA and the patent laws governing the examination of patent applications.

5 U.S.C. § 559 was enacted June 11, 1946 (60 Stat. 244). In contrast, the first rule that patent applications be preserved in secrecy appeared in 1854. *Sears v. Gottschalk*, 502 F. 2d 122, 129 (4th Cir. 1974). When the claim was made, 120 years later, that the APA overcame the requirement of secrecy, the Fourth Circuit held that patent applications, before a patent issued, constituted trade secrets. "Notwithstanding FOIA's [5 U.S.C. § 552] strong policy of disclosure, we hold that mandatory disclosure of abandoned applications is foreclosed by § 122" (502 F. 2d at 131). It relied upon the legislative history of the 1952 patent act, which said "the rule of secrecy of patent applications [] has existed in the patent office for generations" (502 F. 2d at 129). In other words, the rule of secrecy was an "additional requirement" of patent law ninety years before the APA.

The series of cases pitting the APA against Section 122 continued for over a decade through the

administrations of Patent Commissioners Schuyler, Gottschalk, Dann and Diamond. See 670 F. 2d 266, footnote 1, for the history of the series of cases. Apparently the PTO has forgotten its successful effort to keep the APA from interfering with the additional requirements of patent law.

3. AGENCY ACTION UNDER THE APA IS TRANSPARENT.

Every agency action by the alphabet soup of other government agencies is open to the public. The grant of a route by the Interstate Commerce Commission is open to public participation because it affects competition over that route. The grant of a broadcast frequency by the Federal Communications Commission is open to the public because it is the grant of an exclusive right to one and not another.

Further evidence of the transparency of agency action under the APA is 5 U.S.C. § 552b(b) requiring open meetings, where "every portion of every meeting of an agency shall be open to public observation. If patent application examination meetings, whether with the examiner of with the Board of Patent Appeals and Interferences, were open to public observations, competitors of the

applicant could learn the details of secret inventions to use for free until a patent issues, if it ever does. The patent system would be destroyed by such public disclosure, because no one would want to risk losing his or her trade secret should the patent not be granted.

It was the secrecy of the guilds in the Middle Ages that gave rise to patent systems in the first place. Guilds were very secretive, and secrets of making pottery, silverware, glassware, etc. were passed on to members of the guild, but never publicly disclosed. When guilds died out, many secrets were lost with them. Public disclosure for the development of technology was so important that sovereigns would reward one who brought new technology to the realm to improve the quality of life and business. The reward was by a patent, either a patent of importation for knowledge known elsewhere, or a patent for a new invention.

The APA purports to recognize the importance of protecting trade secrets. Specifically, trade secrets are to be protected under Section 552(b)(3), so long as the statute requiring matters to be withheld from the public are so clear as to "leave no discretion" on the part of the agency. Patent applications, and

whether they are granted or denied, are the essence of discretion in the exercise of quasi-judicial function. Patent applications cannot be within the meaning of matters specifically exempted from disclosure to the public under Section 552(b).

The subject matter of a patent application is a trade secret until a patent issues, which is why 35 U.S.C. § 122 exists. However, the ICC route or the FCC frequency, which are *public* rights known to everyone interested, are not trade secrets. In contrast, the very essence of the subject matter involved in the agency action in the PTO is the secret. The trade secret is not ancillary to the agency action of the PTO, as it is by agencies governed by the APA. Instead, the agency action of the PTO is whether or not to disclose the trade secret proposed to be patented.

4. THE APA CANNOT APPLY TO EXAMINATION OF PATENT APPLICATIONS UNTIL 35 U.S.C. § 122 IS REPEALED.

Many nations of the world provide for the secrecy of patent applications to be lifted after a period of time, typically eighteen months after the

effective filing date of a patent application. Before that date, patent applications are kept secret, just as they are in the United States. Congress has considered a similar provision in an effort to "harmonize" the laws of the United States with those of the rest of the world. To date, Congress has passed no alteration of section 122, and it remains the law of the land insofar as the APA is concerned.

Other nations provide for publication of patent applications after examination has revealed that the invention is worthy of a patent, but before final agency action. After publication, any competitor who believes that the proposed agency is wrong may oppose the grant of the patent. This resembles the APA in that public comment is not only encouraged, it is mandated that competitors be given an opportunity to be heard on issues regarding the grant of valuable rights administered by agencies governed by the APA.

Congress has the power to expressly state that the APA governs the PTO, but it has not done so. Petitioner has it backwards when he argues that the APA applies to the PTO, because Congress has not said that the PTO is *not* part of the alphabet soup of agencies "in the executive branch of the government"

(5 U.S.C. §552(f)). The PTO has existed for over 160 years, most of which with its "additional requirements" of Section 559 to protect trade secrets during the examination process under 35 U.S.C. § 122, and the standard of deference to be paid to agency action in § 282.

If Congress alters section 122 to provide for destruction of the secrecy of patent applications before final agency action, such as (1) by publication after 18 months or (2) by establishing an opposition procedure after examination, but before grant of a patent, the APA might apply to the PTO. It might then be inferred that it intended to have the APA, with its less stringent standard of review, applicable to patent applications. The prudent course, however, would be to await express Congressional action on whether the PTO is, or is not, subject to the APA, and not guess or assume what Congress intends.

At the present time, 35 U.S.C. § 122 makes it pellucid that the APA cannot apply to agency actions of the PTO in patent applications because of this additional requirement. In the case of trademark applications in the PTO, there is full disclosure to the public at every stage of the proceeding of examination; publication before the agency action of

the grant of a certificate of registration, and an opposition procedure before final agency action. Consequently, Congress knows how to enact legislation for a transparent examination procedure, for publication before final agency action, and for opposing the final agency action by the PTO. Until Congress provides similar openness in the patent examination process, it should not be assumed that the APA bars Section 122 of the patent laws.

5. AN ADDITIONAL REQUIREMENT OF PATENT LAW IS A PRECISE STATUTORY RECITATION OF THE DEFERENCE TO BE PAID TO THE AGENCY ACTION.

It appears that the Commissioner seeks greater respect for the work product of his agency. Instead of the long-standing review of the action for "clear error," the Commissioner desires review for "substantial evidence," using the APA as the basis for greater deference.

It is not an issue for this Court to decide whether PTO agency action should be reviewed for clear error or for substantial evidence in support of it. Congress has already enacted, in 35 U.S.C. § 282,

that the agency action of the PTO in issuing a patent is "presumed valid." This means that the deference due to the agency action is clear error, not substantial evidentiary support for the agency action. The deference is "due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of ordinary skill in the art and whose duty it is to issue only valid patents" *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F. 2d 1350 (Fed. Cir. 1984). A presumption can be overcome by clear and convincing evidence. Clear and convincing evidence cannot overcome an agency finding that is supported by substantial evidence under the APA.

Clearly, the APA standard does not apply to review of PTO agency findings, because district courts, as well as the Federal Circuit, must apply the statutory presumption of section 282. District court findings of fact, in turn, are reviewed for "clear error" under Fed. R. Civ. P. 52(a).[1]

[1] The prior cases are Irons v. Schuyler, 465 F.2d 608 (DC Cir. 1972); Sears v. Gottschalk, 502 F.2d 122 (4th Cir. 1974); Irons v. Gottschalk, 548 F.2d 992 (DC Cir. 1976); Irons v.

"Under 35 U.S.C. § 282, a patent is presumed valid, and an attack on its validity requires proof of facts by 'clear and convincing evidence or its equivalent' ... The 'clear and convincing' standard of proof is an intermediate standard which lies somewhere between 'beyond a reasonable doubt' and a 'preponderance of the evidence'" *Buildex, Inc. v. Kason Industries, Inc.* 849 F. 2d 1461, 1463 (Fed. Cir. 1988).

The Commissioner is shortsighted in seeking greater power as a result of less stringent judicial review. The Federal Circuit decides questions of fact in patent cases under the "clear error" test from every district court in the United States under Fed. R. Civ. P. 52(a). As a matter of policy, the decisions of an administrative agency should not be subject to *less* judicial review than those rendered by Article III judges.

If the APA applies to patent examination, then "every portion of every meeting" will be open to public observation under 5 U.S.C. 552b(b), and the contents

Dann, 606 F.2d 1215 (DC Cir. 1979); and Irons v. Diamond, 670 F.2d 265 (DC Cir. 1981).

of every patent examination will be made available for public inspection under 5 U.S.C. 552(a)(1)(C).

Giving a little more power to a government agency in the form of reduced judicial review is not worth the destruction of the patent system as we have known it for 162 years. This case is not about judicial review of questions of fact involving patents, in the long view. Rather, it is about whether patent applications shall be subject to the additional requirement that they "shall be kept in confidence by the Patent and Trademark Office" (35 U.S.C. § 122), a burden placed upon no other agency of government. It is also about whether Congress added an additional requirement to the patent law specifying that the "clearly erroneous" test of a presumption (35 U.S.C. § 282) is the proper deference to be paid to PTO agency action.

Judicial review may not be a substitute for the openness built into the APA to make agency actions almost unassailable. But it is all we have in PTO review, so long as the additional requirement of secrecy is in the patent law (Section 122), and the statutory standard of a presumption of correctness of agency action (Section 282). Arbitrary and capricious agency action, which is all the APA allows to be

reviewed, is too narrow for actions taken by bureaucrats in secret, without the scrutiny of competitors and the public. There must be some supervision of agency actions by the PTO, and judicial scrutiny is the best we now have.

The patent system is a great engine for the development of technology, and it must be made to work as efficiently as possible. One way to assure proper patent examination is to provide supervision in the form of judicial review, not just for capricious actions, but for clearly erroneous actions as well.

CONCLUSION

35 U.S.C.§ 122 is conclusive on the issue of whether the examination of patent applications is to be a public agency action or a secret one. It is fundamentally at odds with the goal of openness of agency action under the Administrative Procedure Act. The two cannot be reconciled without Congressional action. It is not for this Court to speculate about what Congress intended when it passed the APA, providing for open agency action, when the patent laws provided that patent applications must be examined in secrecy through final agency action. Moreover, patent law in effect

before the passage of the APA provided that the deference given PTO agency action is only a presumption that can be overcome by clear and convincing evidence.

The decision of the Federal Circuit should be affirmed.

Respectfully submitted,

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Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

Q. TODD DICKINSON,
ACTING COMMISSIONER OF PATENTS
AND TRADEMARKS,

Petitioner,

v.

MARY E. ZURKO, THOMAS A CASEY, JR., MORRIE GASSER,
JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON,
PAUL D. SAWYER, LESLIE R. KENDALL AND
STEVEN B. LIPNER,

Respondents.

**On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

BRIEF OF THE DALLAS-FORT WORTH INTELLECTUAL PROPERTY LAW ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

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STATEMENT OF THE ISSUE

On November 2, 1998, this Court granted a petition for a writ of certiorari on the following issue:

> Whether a standard of judicial review more stringent than that specified by the APA, purportedly used by courts before the adoption of the Act in reviewing factual findings made by a particular agency, is an "additional requirement * * * otherwise recognized by law" within the meaning of Section 559.

The Dallas-Fort Worth Intellectual Property Law Association respectfully submits this brief directed to that question only, which the Association urges be answered: Yes, for all of the factual findings made by the United States Patent and Trademark Office and reviewed by the Federal Circuit Court of Appeals.

INTEREST OF THE *AMICUS CURIAE*[*]

Formed in the mid-1950s, the Dallas-Fort Worth Intellectual Property Law Association is a regional association of persons concerned with the patent, trademark, copyright, trade-secret, and other laws protecting intellectual-property rights. The Association, which was formerly known as the Dallas-Fort Worth Patent Association, is a member of the National Council of Intellectual Property Law Associations.

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* The parties' letters of consent have been filed with the Clerk pursuant to the rules of this Court. No interested party authored this brief, in whole or in part, or paid any of the costs of producing it.

The Association's over 100 members, mostly attorneys, regularly represent clients in prosecuting patent and trademark applications before the United States Patent and Trademark Office (PTO), including interference, opposition, and cancellation proceedings; conduct patent and trademark litigation in the courts; and advise clients on business and licensing matters involving intellectual-property issues. The members' clients are split roughly evenly between patent and trademark owners and accused infringers.

The Association's members frequently handle matters on appeal before the PTO appeal boards as well as appeals to the Federal Circuit. They also are called on regularly by clients to analyze PTO decisions to determine whether appeal is appropriate. In these roles, the Association's members have accumulated substantial experience with practical considerations arising under the present system of appeals from PTO decisions. The Association's attorney members also represent individuals, universities, and small and large businesses in patent and trademark infringement litigation, thereby gaining insight into the present system of appeals from PTO decisions.

Neither the Association nor any of its members has any direct interest in which side prevails in this lawsuit, except to the extent that the outcome affects the administration of the patent and trademark laws. A principal object of the Association is to aid in the institution of improvements in the patent and trademark laws and procedures for administering those laws. To promote that objective, this *amicus curiae* brief sets forth the Association's observations on the present system for appeals and the p[illegible]notion of a fair, effective, and predictable intellectual property system by the present appellate review system.

SUMMARY OF ARGUMENT

For at least one-hundred years, the Federal Circuit and its predecessors have used the "clearly erroneous" standard to review findings of fact made by the PTO. That standard is an integral part of the system for examination of patent and trademark applications. Because the use of the "clearly erroneous" standard has been a fundamental assumption underlying repeated revisions to the statutory framework governing the patent and trademark system, this Court should leave any adjustment of the standard of review to Congress, at least absent a substantial need for immediate change.

In urging such a change, the Commissioner fails to identify any benefit the change would bring to the patent and trademark system. All the Commissioner offers is the 52-year-old Administrative Procedure Act (APA), which the Commissioner argues has always required a more deferential standard for review. A change to a more deferential standard now, however, would needlessly inject uncertainty and expense into the operation of the patent examination system, making it less attractive to patent and trademark applicants. It would also upset ongoing legislative efforts to refine and improve the system. Particularly in view of the longstanding reliance on the current standard, the Commissioner's argument does not justify fundamentally adjusting the regulatory scheme by adopting a new standard for review of PTO findings of fact.

The distinctive institutional framework for examination and enforcement of patents and trademarks, moreover, is poorly suited to use the "substantial evidence" standard advocated by the Commissioner. In the usual administrative review context, where the actions of specialized agencies are reviewed by unspecialized district courts or regional courts of appeal, the highly deferential "substantial evidence" standard is necessary to ensure that

decision making benefits from the agency's expertise. In the case of PTO decisions, however, Congress has directed appeals to the Federal Circuit, which has been invested with its own expertise in patent-law matters. In light of the review by a specialized appellate court, the somewhat less deferential "clearly erroneous" standard is appropriate for review of PTO decisions.

ARGUMENT

I. The Commissioner Has Failed to Advance Any Newly Arising Problem With the Present System That Would Justify Changing the Long-Enduring "Clearly Erroneous" Standard for Review of PTO Fact Findings.

The use of the "clearly erroneous" standard for review of findings of fact by PTO boards has been a longstanding fixture of federal jurisprudence, having anchors in the last century. Long before enactment of the Administrative Procedure Act on which the Commissioner now relies, the "clearly erroneous" standard was firmly established in the decisions of the Federal Circuit predecessor, the Court of Customs and Patent Appeals (the "CCPA"). Indeed, within two years of its creation in 1929,[1] the CCPA had ruled that Patent Office decisions must be upheld unless "manifestly wrong." *In re Demarest*, 38 F.2d 895, 896 (CCPA 1930) (*ex parte* patent appeal); *Montgomery Ward & Co. v. Sears, Roebuck & Co.*, 49 F.2d 842, 843 (CCPA 1931) (trademark interference). The CCPA inherited that standard for review as an integral part of the jurisdiction over patent-office appeals, which previously resided in the Court of Appeals for the

[1] The Court of Customs and Patent Appeals was created by transferring the jurisdiction to hear patent-office appeals from the United States Court of Appeals for the District of Columbia to the United States Court of Customs Appeals, and renaming the latter court. Act to Change the Title of the United States Court of Customs Appeals, ch. 488, 45 Stat. 1475 (1929) (70th Cong.).

District of Columbia.[2] That court, in turn, had used the standard in decisions at least as early as 1897[3] and frequently employed it over the years until its patent-office-appeal jurisdiction was transferred to the CCPA in 1929.[4] Accordingly, since its emergence a century ago, the "clearly erroneous" standard for review has been a fundamental part of the patent-examination system, affecting the manner in which patents are examined in the PTO.

Although the "clearly erroneous" standard is itself deferential, it is less deferential than the "substantial evidence" standard now advocated by the Commissioner and allows a more meaningful judicial review on the facts. Over the many years it has been available, review of PTO decisions by a court with patent-law expertise has influenced pervasively the manner in which the examination system operates. For example, meaningful review by the Federal Circuit leaves room for a more informal examination process within the PTO, thereby promoting a cooperative relationship between patent attorneys and

[2] Prior to transfer of jurisdiction, patent-office appeals made up approximately one-third of the caseload of the Court of Appeals for the District of Columbia, severely burdening that court's three judges. For a description of the circumstances in which the patent office appeal jurisdiction was transferred, see P.J. Federico, *Evolution of Patent Office Appeals* (pt. 2), 22 J. PAT. OFF. SOC. 920, 946-48 (1940).

[3] *In re Barratt*, 11 App. D.C. 177, 179 (1897) (reversal only in "very clear case" of error).

[4] *Hopkins v. Riegger*, 262 F. 642, 643 (D.C. Cir. 1920) ("[The question being one of fact, as here, we will not review the Commissioner's decision, unless it is manifestly wrong."); *Bonine v. Bliss*, 259 F. 989, 989, 990 (D.C. Cir. 1919) ("palpable error"; "manifest error"); *Lindmark v. Hodgkinson*, 31 App. D.C. 612, 614 (1908) ("manifest error"); *Podlesak v. McInnerney*, 26 App. D.C. 399, 405, 408 (1906) ("manifest error"; "palpable error"); *cf. Leggett v. Avery*, 101 U.S. 256, 258 (1880) (infringement suit applying "manifest error" standard to the propriety of the Commissioner's reissuance of patent).

examiners and permitting the PTO efficiently to carry its very substantial workload. The Federal Circuit specialized review of PTO decisions reduces the need for more exacting review of examiners' decisions within the PTO, thereby freeing the PTO boards to employ simple procedures well-suited to correcting the more apparent examiners' errors. It also allows applications to be prosecuted in a relatively forgiving atmosphere, thereby reducing the costs to inventors.

As a basic component of the statutory scheme for patent and trademark examinations, the "clearly erroneous" standard for review should not be altered without substantial justification. As this Court unanimously noted in *California v. Federal Energy Regulatory Commission*, 495 U.S. 490, 500 (1990), courts should exercise special caution when considering whether "fundamentally to restructure a highly complex and long-enduring regulatory regime, implicating considerable reliance interests of . . . participants in the regulatory process." Judicial changes to complex regulatory systems established by statute are

> inconsistent with the measured and considered change that marks appropriate adjudication of such statutory issues. See *Square D Co. [v. Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409,] at 424 [(1986)] (for statutory determinations, "it is more important that the applicable rule of law be settled than it be settled right. . . . This is commonly true, even where the error is a matter of serious concern, provided correction can be had by legislation,'" quoting *Burnet v. Coronado Oil & Gas Co., 285 U.S. 393 [(1932)] (Brandeis, J., dissenting)*).

495 U.S. at 500.[5] Thus, changes to the statutory scheme for patent and trademark examination, such as the significant change now advocated by the Commissioner, should be accomplished by legislative amendment rather than judicial decision, at least absent a demonstrated need for a more immediate correction.

Remarkably, the Commissioner does not argue that the present standard for review is burdensome, results in mistaken issuance of patents or registration of trademarks, or hampers the operation of the patent-and-trademark system in any way. The Commissioner advances utterly no reasons why a change in the standard for review would benefit the patent-and-trademark system. Instead, the primary justification for change offered by the Commissioner is its contention that the more stringent clearly erroneous standard of judicial review is not an "additional requirement...otherwise recognized by law" within the meaning of Section 559 of the APA. Pet. for Writ of Cert. at 14-17. In view of the longstanding use of the present standard for review, this type of change should be made only to correct demonstrated mischief, not simply because of a recent revelation that a decades-old statute arguably provides for a different standard.

Although the present patent and trademark system, like any complex system, has its failings, none of these failings can credibly be blamed on the present standard for review of board decisions. If unworthy patents have been issued or unworthy trademarks have been registered, it is rarely because a board-affirmed rejection was reversed by the appeals court under the "clearly erroneous" standard, when it would have been sustained under a more deferential standard. Rather, the most costly and

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[5] *Accord Patterson v. McLean Credit Union*, 491 U.S. 164, 172-73 (1989) ("Considerations of *stare decisis* have special force in the area of statutory interpretation, for here, unlike in the context of constitutional interpretation, the legislative power is implicated, and Congress remains free to alter what we have done.").

uncertain intellectual-property disputes involve validity issues never examined by the PTO. The change in the standard for review advocated by the Commissioner would not address this problem because it would do nothing to improve the PTO's ability to conduct a high-quality examination of every patent and trademark application. Instead, by diminishing the protections afforded to applicants on appeal, the advocated change would promote more adversarial prosecution within the PTO, thereby reducing the overall quality of examination.

Indeed, the challenges now confronting the PTO make a more deferential standard for review particularly inappropriate. The quickening pace of technological innovation, the increasing number of applications filed, and ever-harsher budgetary constraints have dramatically increased the workload of the PTO appeal boards, and have correspondingly reduced the consideration they can give to each matter appealed to them. With respect to the Board of Patent Appeals and Interferences, for example, recent Commissioner's Annual Reports show significant increases in pending appeals, without a corresponding increase in dispositions.[6] The result has been an exploding

[6] ASSISTANT SECRETARY OF COMMERCE & COMMISSIONER OF PATENTS AND TRADEMARKS, ANNUAL REPORT--FISCAL YEAR '93, at tbl. 13 (1993) [hereinafter COMMISSIONER'S 1993 ANNUAL REPORT]; U.S. DEP'T OF COMMERCE & U.S. PATENT & TRADEMARK OFFICE, WORKING FOR OUR CUSTOMERS: A PATENT & TRADEMARK OFFICE REVIEW, FISCAL YEAR 1994, at 65 tbl. 8 (1994) [hereinafter COMMISSIONER'S 1994 ANNUAL REPORT]; U.S. DEP'T OF COMMERCE & U.S. PATENT & TRADEMARK OFFICE, SETTING THE COURSE FOR OUR FUTURE: A PATENT & TRADEMARK OFFICE REVIEW, FISCAL YEAR 1995, at 91 tbl. 8 (1995) [hereinafter COMMISSIONER'S 1995 ANNUAL REPORT]; U.S. DEP'T OF COMMERCE & U.S. PATENT & TRADEMARK OFFICE, MANAGING CHANGES FOR GLOBAL CHALLENGES: FISCAL YEAR 1996, A PATENT & TRADEMARK OFFICE REVIEW, at tbl. 8 (1996) [hereinafter COMMISSIONER'S 1996 ANNUAL REPORT]; U.S. DEP'T OF COMMERCE & U.S. PATENT & TRADEMARK OFFICE, CREATING A PATENT & TRADEMARK SYSTEM FOR THE 21ST CENTURY; A PATENT & TRADEMARK OFFICE

backlog and less time for that board to spend on each appeal.[7] According to the Commissioner's Annual Reports, the Trademark Trial and Appeal Board also has been unable to keep up with its burgeoning filings.[8] Thus, no one can credibly argue that the boards provide a higher quality of decision making than was prevalent in the past, which might merit an increase in the deference applied on appellate review.

REVIEW, FISCAL YEAR 1997 (1997)[hereinafter COMMISSIONER'S 1997 ANNUAL REPORT].

[7] For *ex parte* patent appeals and patent interferences combined, the Commissioner's Annual Reports report the following numbers of filings, dispositions, and pending cases, from which average pendencies may be calculated:

Fiscal Year Ending 9/30	Filings	Dispositions	Cases Pending	Average Pendency (Months)
1992	n/a	n/a	2242	—
1993	4746	4320	2668	7.4
1994	4721	3250	4139	15.5
1995	5372	3643	5867	19.4
1996	4232	3318	6581	24.3
1997	4926	2917	6847	24.9

[8] COMMISSIONER'S 1993 ANNUAL REPORT, at tbl. 22 p. 69 (5855 filings, 3501 dispositions); COMMISSIONER'S 1994 ANNUAL REPORT, at tbl. 18, p. 72 (5139 filings, 3408 dispositions); COMMISSIONER'S 1995 ANNUAL REPORT at tbl. 19, p. 100 (6101 filings, 4297 dispositions); COMMISSIONER'S 1996 ANNUAL REPORT, at tbl. 19 (7702 filings, 6663 dispositions); COMMISSIONER'S 1997 ANNUAL REPORT, at tbl. 23 (8534 filings, 7146 dispositions).

II. Changing the Standard for Review Would Present Substantial Practical Problems.

In the century since the "clearly erroneous" standard was first used (including the fifty-two years since the APA was enacted), applicants and their attorneys have become accustomed to that standard, basing their calculations whether to appeal adverse decisions on their familiarity with the standard and the decades of judicial decisions applying it. Although predictions are always difficult, applicants and their attorneys can make some reasoned assessments of the prospects for appeal in particular factual circumstances by analyzing the many judicial decisions over the decades reviewing the PTO boards. Their ability to make these assessments undoubtedly reduces the number of unrealistic appeals that are filed from board decisions.

Throwing a new standard for review into the calculus would make the already difficult task of predicting outcomes even more complex and uncertain. This may cause rejected applicants, deprived of guidance as to the prospects for review, to pursue many appeals that ultimately prove unsuccessful or pass up many meritorious appeals. It would likely be many years before a reasonable level of guidance could be restored by development of a significant body of precedent under a new standard. The increased cost and uncertainty can only discourage use of the patent and trademark system, perhaps causing inventors, for example, to rely on trade-secret, instead of patent, protection.

Introducing a new, more deferential standard for review might also increase the cost of prosecuting applications within the PTO. In the ordinary course of prosecution, applicants are confronted with various types of examiners' errors, most relatively apparent and some with profound consequences to the property rights of the applicant. Under the current review

scheme, a simple appeal to the appropriate PTO appeal board affords applicants a very cost-effective means of correcting the most apparent errors. If the boards' decisions are insulated from meaningful judicial review, however, proceedings at the appeal board will become complicated as attorneys realize the uphill battle that will ensue if the board sustains the examiner's rejection. Prudence would require even the simplest errors to be met with elaborate and expensive briefing before the board. As a result, prosecution will become more costly.

Judicially adopting a more deferential standard for review would also frustrate legislative efforts to improve the patent-and-trademark system. By way of example, Congress has recently considered proposals to revise the procedures for PTO reexamination of issued patents.[9] To encourage those challenging the validity of issued patents to submit their challenges to the PTO, with its expertise in patent matters, rather than to the district courts, the proposals allow enhanced *inter partes* participation in reexamination.[10] A key assumption of the proposals is that the judicial review available for reexamination decisions would be comparable to that available for district court decisions on validity issues.

If board decisions are given more deference on review than the "clearly erroneous" standard applied to decisions of district judges, however, challengers' incentives to submit validity issues to the PTO will be diminished, thereby undercutting the effectiveness of reexamination reform. This is only one

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[9] H.R. 400, 105th Cong., Secs. 501-505 (as committed to Committee of the Whole House Mar. 20, 1997); S. 507, 105th Cong., Secs. 501-506 (as reported by committee May 23, 1997).

[10] H.R. 400, *supra*, Secs. 503(d), (e), 504(c), (d) (to amend 35 U.S.C. §§ 305(b), 306(b), (c), 134(c), 141); S. 507, *supra*, Secs. 503(d), (e), 504(b), (c) (to amend 35 U.S.C. §§ 305(b), 306(b), (c), 134, 141).

illustration of the wisdom of leaving to Congress the consideration of adjustments to the complex and evolving statutory scheme for examination of patent and trademark applications, including adjustments to the standard for review.

III. By Creating The Federal Circuit, A Court With Special Expertise in Patent Law, and Vesting it with Jurisdiction Over PTO Board Decisions, Congress Recognized that a Meaningful Review Under the "Clearly Erroneous" Standard Is Appropriate

By establishing the general principle that courts will ordinarily review agency fact-findings under the highly deferential "substantial evidence" standard, the APA seeks to permit appropriate judicial monitoring of administrative decisions while still retaining the full benefits of agency expertise.[11] In the usual circumstances of judicial review of administrative decisions, the fact-findings of specialized agencies established to provide expertise in technical areas are subject to review by generalist district courts or regional courts of appeals. There is a substantial danger that searching review by those courts might dilute the benefits of the technically expert decision making that the agency was established to provide. In those circumstances, the APA's highly deferential standard for review helps ensure that the agency and reviewing court each contribute their strengths to the decision making process.

Review of PTO decisions, however, presents a distinctively different circumstance. In 1929, acting against the background of the already well established "clearly erroneous" standard, Congress created the CCPA as a specialized court to hear the technically intensive appeals arising in customs and

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[11] 3 CHARLES H. KOCH, JR., ADMINISTRATIVE LAW & PRACTICE, § 9.2[1], AT 3-4 (2D ED. 1997).

patent matters.[12] In recognition of the "selective benefit of expertise in highly specialized and technical areas,"[13] Congress created the Federal Circuit in 1982, thereby extending the CCPA's model of concentrating appeals of certain types of cases in a single appellate court.[14]

A prominent congressional concern in creating the Federal Circuit was to promote uniform and well-informed treatment of patent cases.[15] To meet this concern, Congress invested the Federal Circuit with expertise in patent issues as well as jurisdiction over all patent appeals (not just those from the PTO).[16] Because patent law often intertwines legal principles with technical facts, Congress also provided that court with the CCPA's practice of using technical advisers to assist in resolving patent appeals.[17] By congressional design, the Federal Circuit reviews patent issues not only with special institutional competence in the intricacies of patent law, but with the necessary technical expertise as well.

The Federal Circuit's review of PTO decisions, therefore, does not present the usual circumstance of a generalist court reviewing a specialist agency, with the attendant danger that

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[12] Act to Change the Title of the United States Court of Customs Appeals, ch. 488, 45 Stat. 1475 (1929) (70th Cong.).

[13] S. REP. NO. , at 6 (1981) (quoting Hon. Jon O. Newman), *reprinted in* 1982 U.S.C.C.A.N. 11, 16.

[14] Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

[15] S. REP. NO. 97-275, at 5 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 15.

[16] 28 U.S.C. §§ 1292(c), 1295(a)(1), (4)(A).

[17] *Id.* Sec. 120(c) (codified at 28 U.S.C. § 715(c), (d)); *see* S. REP. NO. 97-275, at 17 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 12.

judicial review will dilute agency expertise. It instead presents a distinctive situation[18] in which Congress has established an expert appellate court to review an expert agency. In view of the Federal Circuit's well-recognized patent expertise,[19] the benefits of expert decision making are fully preserved by its review of PTO boards under the "clearly erroneous" standard, which is the standard appellate courts commonly employ for review of district

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[18] The review of most other agencies within its appellate jurisdiction does not present similar statutory silence as to the standard for review. *See* 2 U.S.C. § 1219(a)(3)(C)(iii) ("substantial evidence" review of EEOC decisions on discrimination claims by Presidential appointees); 2 U.S.C. § 1407(d)(3) ("substantial evidence" review of Congress' Board of Directors of the Office of Compliance); 5 U.S.C. §§ 7121, 7703(c)(3) ("substantial evidence" review of MSPB or arbitrator); 15 U.S.C. §3416(b), (c) (APA-standard review of certain emergency orders of FERC); 19 U.S.C. § 1337(c) (APA-standard review of USITC); 31 U.S.C. § 755(a)(3) ("substantial evidence" review of General Accounting Office Personnel Appeals Board); 38 U.S.C. § 502 (APA-standard review of Secretary of Veterans Affairs); 41 U.S.C. §§ 607(g)(1)(A), 609(b) ("substantial evidence" review of agency boards of contract appeals). Notably, the only instance, other than review of the PTO, without an express statutory standard for review of fact-findings is in appeals from plant-variety-protection decisions of the Secretary of Agriculture, which likely were intended to use the same standard as historically used for the PTO's patent decisions. *See* 7 U.S.C. § 2461.

[19] *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 117 S. Ct. 1040, 1054, 41 U.S.P.Q.2d 1865, 1876 (1997) (leaving precise formulation of doctrine-of-equivalents test to Federal Circuit's "sound judgment in this area of its special expertise"); *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809, 811, 229 U.S.P.Q. 478, 479 (1986) (remanding to obtain "the Federal Circuit's informed opinion on the complex issue of the degree to which the obviousness determination is one of fact"); *see also United States v. Fausto*, 484 U.S. 439, 464 n.11 (1988) (Stevens, J., dissenting) ("Because its jurisdiction is confined to a defined range of subjects, the Federal Circuit brings to the cases before it an unusual expertise that should not lightly be disregarded."); *cf. Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 105, 26 U.S.P.Q.2d 1721, 1731 (1993) (Scalia, J., concurring in part) (noting experience of Federal Circuit judges in their specialized patent jurisdiction).

judge findings and accords the still-substantial deference[20] that sensibly flows from the trier of fact's greater familiarity with the evidence received. A judicial change to the more deferential "substantial evidence" standard is wholly unnecessary in view of the provision by Congress of a specialized court to review determinations of the PTO boards.

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[20] *See Anderson v. City of Bessemer City*, 470 U.S. 564, 574 (1985) ("Where there are two permissible views of the evidence, the fact finder's choice between them cannot be clearly erroneous.").

CONCLUSION

Particularly in view of the lack of any explanation by the Commissioner as to why a change from the "clearly erroneous" standard would benefit the patent and trademark system, this Court should not depart from the century-old use of that standard for review of fact-findings from PTO decisions. That standard has become a fundamental component of the statutorily established examination scheme and changing it now would impose substantial and unnecessary costs and uncertainties on participants in the patent and trademark system. The Federal Circuit's specialized legal and technical review of board decisions, moreover, makes it particularly appropriate that it engage in a more meaningful, "clearly erroneous" review of PTO fact-findings, rather than being required to affirm whenever "substantial evidence" is found to support those findings.

Respectfully submitted,

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

Q. TODD DICKINSON,
Acting Commissioner of Patents and Trademarks,

Petitioner,

—v.—

MARY E. ZURKO, ET AL.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF AMICUS CURIAE OF THE INTERNATIONAL TRADEMARK ASSOCIATION

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BRIEF AMICUS CURIAE OF THE INTERNATIONAL TRADEMARK ASSOCIATION

STATEMENT OF INTEREST OF THE AMICUS CURIAE

The International Trademark Association ("INTA") submits this brief in support of the Respondents to urge affirmance of the en banc opinion of the United States Court of Appeals for the Federal Circuit ("Federal Circuit"). Consents have been granted by all parties and have been filed with the Clerk.

INTA is a not-for-profit corporation whose members have a special interest in trademarks. They include the owners of

trademarks both in this country and abroad and lawyers, advertising agencies and other organizations knowledgeable about trademarks and having an interest in their protection. INTA's membership, which now exceeds 2800 members from 80 countries, crosses all industry lines and includes both manufacturers and retailers. All share the goal of emphasizing the importance of trademarks and promoting an understanding of the essential role they play in fostering effective commerce and fair competition.

INTA was founded in 1878, in part to encourage the enactment of federal trademark legislation after this country's first trademark act was declared unconstitutional. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with each subsequent trademark act, or amendment thereof, including the current statute.

INTA serves both its members and the interest of the public by disseminating information about trademarks; by publishing books and articles about their function, protection, and proper use; by conducting seminars and other educational programs; by maintaining a library of trademark information; and by making speakers or instructors available to civic organizations and other groups requesting information about trademarks.

The membership of the INTA represents a very significant and important segment of the United States business community and has substantial expertise in trademark law. It has participated in various courts as an *amicus curiae* in many cases which involved vital trademark issues.

While the instant case does not involve trademarks directly, any change in the standard of judicial review by the Federal Circuit in appeals from agency actions by the Patent and Trademark Office's ("PTO") Board of Patent Appeals necessarily effects appeals from agency actions by the PTO's Trademark Trial and Appeal Board ("TTAB").

INTA urges affirmance of the en banc opinion of the Federal Circuit. It takes no position on the merits of the case at bar. Its interest is in the broader question of the standard of judicial review to be applied by the Federal Circuit to all appeals from actions by the PTO and is participating as amicus curiae so that its views, particularly as to trademarks, can be considered on this issue.

SUMMARY OF ARGUMENT

It is the position of INTA that TTAB adjudications should continue to be reviewed by this Court under the "clearly erroneous" standard, since this standard gives deference, but not undue deference, to such adjudications and permits reversal in those instances in which the Court reaches a definite and firm conviction that a mistake has been made.

In its en banc opinion, the Federal Circuit reasoned: "Our ability to oversee complex legal determinations such as obviousness would be undermined if the board's underlying factual determinations were reviewed more deferentially for clear error". *In re Zurko*, 142 F.3d 1447, 1459 (Fed. Cir. 1998). The same rationale applies to TTAB factual determinations in trademark adjudications. Since TTAB adjudications have been reviewed under the "clearly erroneous" standard or its equivalent since the TTAB was created by the Lanham Act in 1946, and since the Administrative Procedure Act ("APA") does not preclude use of such a standard of review, INTA urges affirmance.

ARGUMENT

In the more than 50 years which have elapsed since the 1946 enactments of the Trademark Act of 1946, commonly called the Lanham Act, 15 U.S.C. Sections 1051 *et seq.*, and the APA, the Federal Circuit, and its predecessor court, has consistently reviewed TTAB adjudications under the "clearly

erroneous" standard. On this appeal, Petitioner urges that the standard of review of PTO adjudications be changed from the "clearly erroneous" standard of Rule 52(a) of the Federal Rules of Civil Procedure to the "substantial evidence" standard of Section 706(2)(E) of the APA.

Under the "clearly erroneous" standard, which the Federal Circuit has consistently applied to appeals from PTO Boards, the reviewing court must affirm unless it has a "definite and firm conviction" that a mistake has been made. *Anderson v. City of Bessemer,* 470 U.S. 564, 573 (1985). Although the district courts, which also have jurisdiction over appeals from PTO Boards (see p. 7, *infra),* apply the "thorough conviction" standard under *Morgan v. Daniels,* 153 U.S. 120, 124 (1894), the two standards are in substance the same. *Freqeau v. Mossinghoff,* 776 F.2d 1034, 1038 (Fed. Cir. 1985).

While the instant case involves an appeal from the Board of Patent Appeals, and the Petitioner's Brief does not mention the impact of his position on appeals from the TTAB, the change in the standard of review which the Petitioner seeks would necessarily be applicable to TTAB adjudications as well.

There are two types of proceedings which come before the TTAB. The first is an *ex parte* proceeding in which an applicant for registration of a trademark seeks to overcome the final refusal of a Patent and Trademark Office Examiner to allow registration of its mark. When an appeal is taken from a TTAB decision in an *ex parte* proceeding, the Commissioner becomes a party. The second type of proceeding is an *inter partes* proceedings in which one party seeks to oppose registration of an allowed application of another or to cancel a registration which has issued to another. When an appeal is taken from a TTAB decision in an *inter partes* proceedings, the Commissioner does not become a party.

The Petitioner is only interested in *ex parte* appeals in which he is a party. However, TTAB decisions in *inter partes*

proceedings are also administrative adjudications which would seem subject to the same standard of review as *ex parte* appeals. If only the standard of review for *ex parte* appeals were to change while *inter partes* appeals were to continue to be reviewed under the "clearly erroneous" standard, the result would be that a PTO Board's adjudication in *ex parte* cases, which are necessarily made upon a less complete record, would be given greater deference than its decisions in *inter partes* cases which are almost always made upon a more complete record.

Section 21 of the Lanham Act, 15 U.S.C. 1071, which applies to both *ex parte* and *inter partes* cases, provides two alternative routes to obtain judicial review for a party "who is dissatisfied with the decision of the Commissioner or the Trademark Trial and Appeal Board".

The first alternative for obtaining review of a TTAB decision is to appeal to the Federal Circuit. This alternative cannot be taken if any party, other than the Commissioner, elects to proceed with the second alternative which is an action in a district court. 15 U.S.C. 1071(a)(1). In addition, unlike appeals from a district court decision, only the United States Court of Appeals for the Federal Circuit has jurisdiction to hear a direct appeal from the TTAB. *Id.*

On appeal, the Federal Circuit reviews the decision on the record before the TTAB and "upon its determination the court shall issue its mandate and opinion to the Commissioner which shall be entered of record in the PTO and shall govern the further proceedings in the case". 15 U.S.C. 1071(a)(4). As with all other appeals, the Federal Circuit, has adopted the rationale of Rule 52(a) of the Federal Rules of Civil Procedure and has reversed factual findings which are clearly erroneous. *See, inter alia, Brunswick Corp.* v. *British Seagull, Ltd.,* 35 F.3d 1527, 1530 (Fed. Cir. 1994), *cert. denied,* 514 U.S. 1050 (1995); *In re Shell Oil Co.,* 992 F.2d 1204, 1206 (Fed. Cir. 1993); *Weiss Associates, Inc.* v. *HRL Associates,*

Inc., 902 F.2d 1546, 1548 (Fed. Cir. 1990); *In re Merrill Lynch*, 828 F.2d 1567, 1571 (Fed. Cir. 1987).

The second alternative is to commence a civil action in a federal district court. In such district court proceeding, the "record in the PTO shall be admitted on motion of any party . . . without prejudice to the right of any party to take further testimony". 15 U.S.C. 1071(b)(3). Because the parties may submit new evidence, the proceeding is, in effect, a *de novo* review. *See, e.g., E.T.F. Enterprises, Inc.* v. *Nina Ricci, S.A.R.L.*, 523 F.Supp. 1147 (S.D.N.Y. 1981). However, the decision of the PTO on fact issues is entitled to deference and will not be reversed unless "the contrary is established by testimony which in character and amount carries through conviction". *A.S. Beck Shoe Corp.* v. *Brenner, Comr. Pats.*, 299 F.Supp. 1362, 1364 (D.D.C. 1969); *Sprinklets Water Center, Inc.* v. *McKesson Corp.*, 806 F.Supp. 656, 659 (E.D. Mich. 1992); *CVP Systems, Inc.* v. *M-Tek, Inc.*, 1994 WL 531556, 32 USPQ2d 1951 (N.D. Ill. 1994). In an opinion which traces the history of the "thorough conviction" standard, the Federal Circuit held that there was no substantive difference between the "thorough conviction" and the "clearly erroneous" standards. *Fregeau v. Mossinghoff, supra.*

In rendering its decision, the district court reviews the TTAB decision and provides a complete, thorough and adequate remedy. "The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled or such other matter as the issues in the proceeding require. . . . Such adjudication shall authorize the Commissioner to take any necessary action upon compliance with the requirements of law". 15 U.S.C. 1071(b)(1).

If a party is dissatisfied with the result in the district court, it can appeal to a federal court of appeals. On such appeal, the district court's factual findings will not be reversed unless clearly erroneous as required by Rule 52(a) of the Federal

Rules of Civil Procedure. *Fuller Products Co.* v. *Fuller Brush Co.*, 299 F.2d 772 (7th Cir. 1962), *cert. denied*, 370 U.S. 923 (1962); *Wells Fargo & Co.* v. *Stagecoach Properties, Inc.*, 685 F.2d 302 (9th Cir. 1982).

If, as Petitioner contends, the Federal Circuit were to be required to review appeals to it from decisions of PTO Boards under the "substantial evidence" standard while the district courts were to continue to review direct appeals under "thorough conviction" standard of *Morgan v. Daniels,* an appellant from a TTAB decision could avoid the "substantial evidence" standard merely by electing to appeal to a district court.

The standard of review of TTAB adjudications should not differ depending on which one of the statutory alternatives is chosen by the aggrieved party. *See, e.g., In re Lueders*, 111 F.3d 1569, 1577 (Fed. Cir. 1997), in which the Court discussed the anomaly that could result if the standard of review depended upon the appeal alternative chosen. Decisions of the TTAB should be given no greater deference on appeals to the Federal Circuit then on appeals to a district court or when the latter is further appealed to a regional court of appeals.

INTA is not aware of any appeal from a TTAB adjudication in which a party has argued that the standard of review should be other than the "clearly erroneous" standard, until the Commissioner recently started to urge such a result to the Federal Circuit. The reasons for this appear to be those enunciated by the Federal Circuit, namely, that the heightened level of scrutiny is an "additional requirement" under Section 559 of the APA and *stare decisis,* and the fact that Section 704 of the APA makes the APA inapplicable to situations where the Congress has provided special and adequate review procedures. *See, Bowen v. Massachusetts,* 487 U.S. 879, 905 (1988).

CONCLUSION

INTA urges this Court to affirm the en banc decision of the Federal Circuit and allow it to continue its long-standing practice of review of PTO Board adjudications, including TTAB adjudications under the "clearly erroneous" standard. This standard gives proper deference to the TTAB decision while permitting the Court to reverse in those instances in which the Federal Circuit reaches a definite and firm conviction that a mistake has been made.

Respectfully submitted,

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